State: *Colorado* ***Filing Company:*** *Colorado Choice Health Plans*
TOI/Sub-TOI: *HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO*
Product Name: *Colorado Choice - Small Group Market*
Project Name/Number: */*

Filing at a Glance

Company:	Colorado Choice Health Plans
Product Name:	Colorado Choice - Small Group Market
State:	Colorado
TOI:	HOrg02G Group Health Organizations - Health Maintenance (HMO)
Sub-TOI:	HOrg02G.004F Small Group Only - HMO
Filing Type:	Rate
Date Submitted:	05/15/2013
SERFF Tr Num:	MLCO-129028795
SERFF Status:	Closed-Filed
State Tr Num:	278051
State Status:	Filed
Co Tr Num:	
Implementation Date Requested:	01/01/2014
Author(s):	Travis Gray
Reviewer(s):	Cathy Gilliland (primary), Nichole Boggess, Michael Muldoon, Amy Filler, Rachel Plummer
Disposition Date:	08/01/2013
Disposition Status:	Filed
Implementation Date:	01/01/2014

State Filing Description:
SERFF Binder Filing: MLCO-CO14-125001213

State: *Colorado* **Filing Company:** *Colorado Choice Health Plans*
TOI/Sub-TOI: *HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO*
Product Name: *Colorado Choice - Small Group Market*
Project Name/Number: */*

General Information

Project Name:
Project Number:
Requested Filing Mode: File & Use
Explanation for Combination/Other:
Submission Type: New Submission
Group Market Type:
Filing Status Changed: 08/01/2013
State Status Changed: 07/30/2013
Created By: Travis Gray
Corresponding Filing Tracking Number:

Status of Filing in Domicile:
Date Approved in Domicile:
Domicile Status Comments:
Market Type: Group
Group Market Size: Small
Overall Rate Impact:

Deemer Date:
Submitted By: Travis Gray

PPACA: Non-Grandfathered Immed Mkt Reforms

PPACA Notes: null

Exchange Intentions:

All plans but the two CommunityChoice plans are intended to be offered on the exchange.

All plans will be offered off the exchange

Filing Description:
Filing for Colorado Choice Health Plans 2014 Small Group Market Products.

State Narrative:
Rate Change Summary
Effective Date of New Rate Implementation: 1/1/2014 through 12/31/2014
This is a New ACA Compliant Filing for 2014, there is no rate change involved with this filing.

The purpose of this rate filing is to establish new product rates that are reasonable relative to the benefits provided and to demonstrate compliance with state laws and provisions of the Affordable Care Act (ACA).

Both On and Off Exchange Plans
Gold: 3 plans
Silver: 4 plans
Bronze: 3 plans
Off Exchange Only Plans
Silver: 2 plans

Company and Contact

Filing Contact Information

Travis Gray, ASA, MAAA, Associate Actuary
1400 Wewatta Street
Denver, CO 80202-5549

travis.gray@milliman.com

303-299-9400 [Phone]

State: *Colorado* ***Filing Company:*** *Colorado Choice Health Plans*
TOI/Sub-TOI: *HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO*
Product Name: *Colorado Choice - Small Group Market*
Project Name/Number: */*

Filing Company Information

(This filing was made by a third party - millimanco)

Colorado Choice Health Plans	CoCode: 95774	State of Domicile: Colorado
700 Main Street, #100	Group Code:	Company Type:
Alamosa, CO 81101	Group Name:	State ID Number: CO
(719) 589-3696 ext. [Phone]	FEIN Number: 23-7296258	

Filing Fees

Fee Required? No

Retaliatory? No

Fee Explanation:

State Specific

Please enter state-specific code(s) found in Colorado's Filing Requirements Bulletins, or on the General Instructions page. Please list all applicable state-specific codes. If no codes are applicable, please enter N/A.: 645 Non-Grandfathered PPACA
All rate and loss cost filing types MUST be submitted with completed Rate Data Fields in accordance with Sections 10-4-401 and 10-16-107 C.R.S. This requirement does not apply to form filing types. Rate and loss cost filings not including this data will be rejected. If this is a rate or loss cost filing, have these fields been completed?: Yes
Have you completed the Forms Schedule Tab? ALL Life, Accident, and Health Rate and Form filing types require the Form Schedule Tab to be completed. In addition, all Form, Annual Form Certification, and Refund Calculation filing types require the Form Schedule Tab to be completed. The actual form must be attached to Form filing types only when filing: Medicare Supplement, Long-Term Care Partnership, Stop Loss, P&C Summary Disclosure Forms, and Workers Compensation. It is not necessary to submit the actual form for other lines of insurance. Thank you.: Yes

SERFF Tracking #: MLCO-129028795 **State Tracking #:** 278051 **Company Tracking #:**

State: Colorado **Filing Company:** Colorado Choice Health Plans
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO
Product Name: Colorado Choice - Small Group Market
Project Name/Number: /

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Cathy Gilliland	08/01/2013	08/01/2013

Objection Letters and Response Letters

Objection Letters

Status	Created By	Created On	Date Submitted
Pending Industry Response	Michael Muldoon	07/10/2013	07/10/2013
Pending Industry Response	Rachel Plummer	06/14/2013	06/14/2013
Pending Industry Response	Cathy Gilliland	06/04/2013	06/04/2013
Pending Industry Response	Cathy Gilliland	05/20/2013	05/20/2013
Pending Industry Response	Cathy Gilliland	05/15/2013	05/15/2013

Response Letters

Responded By	Created On	Date Submitted
Travis Gray	07/15/2013	07/15/2013
Travis Gray	06/19/2013	06/19/2013
Travis Gray	06/11/2013	06/11/2013
Travis Gray	06/03/2013	06/03/2013
Travis Gray	06/11/2013	06/11/2013

Filing Notes

Subject	Note Type	Created By	Created On	Date Submitted
objection 1	Note To Filer	Cathy Gilliland	05/17/2013	05/17/2013

SERFF Tracking #:	*MLCO-129028795*	***State Tracking #:***	*278051*	***Company Tracking #:***

State:	*Colorado*	***Filing Company:***	*Colorado Choice Health Plans*
TOI/Sub-TOI:	*HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO*		
Product Name:	*Colorado Choice - Small Group Market*		
Project Name/Number:	*/*		

Disposition

Disposition Date: 08/01/2013
Implementation Date: 01/01/2014
Status: Filed

HHS Status: HHS Approved
State Review: Reviewed by Actuary

Comment: State Tracking #278051
Company: Colorado Choice Health Plan
Product Line: Small Group HMO

Rate Change Summary
Effective Date of New Rate Implementation: 1/1/2014 through 12/31/2014

This is a New ACA Compliant Filing for 2014, there is no rate change involved with this filing. The purpose of this rate filing is to establish new product rates that are reasonable relative to the benefits provided and to demonstrate compliance with state laws and provisions of the Affordable Care Act (ACA).

Both On and Off Exchange Plans
Gold: 3 plans
Silver: 4 plans
Bronze: 3 plans

Off Exchange Only Plans
Silver: 2 plans

See attached document for more information on this filing

Company Name:	Company Rate Change:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):

State: Colorado **Filing Company:** Colorado Choice Health Plans
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO
Product Name: Colorado Choice - Small Group Market
Project Name/Number: /

Colorado Choice Health Plans	New Product	0.000%	0.000%	$0	0	$0	0.000%	0.000%

Percent Change Approved:
Minimum: 0.000%
Maximum: 0.000%
Weighted Average: 0.000%

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	HR-1 Form (H)		Yes
Supporting Document	Consumer Disclosure Form		Yes
Supporting Document	Actuarial Memorandum and Certifications		Yes
Supporting Document	Unified Rate Review Template		Yes
Supporting Document	Letter of Authority		Yes
Supporting Document	Rate Sample		Yes
Supporting Document	Response to 2013-05-20 Objections Letter		Yes
Supporting Document	Response to 2013-06-04 Objection Letter		Yes
Supporting Document	Response to 2013-06-14 Objections Letter		Yes
Supporting Document	Response to 2013-07-10 Objections Letter		Yes
Form	SBC BronzeChoice HSA 3000/50 SBC		Yes
Form	SBC BronzeChoice 3000/50 SBC		Yes
Form	SBC BronzeChoice 5000/50 SBC		Yes
Form	SBC SilverChoice 1500/30 SBC		Yes
Form	SBC SilverChoice 1500/50 SBC		Yes
Form	SBC SilverChoice 2000/40 SBC		Yes
Form	SBC SilverChoice 2000/50 SBC		Yes

SERFF Tracking #: MLCO-129028795 **State Tracking #:** 278051 **Company Tracking #:**

State: Colorado **Filing Company:** Colorado Choice Health Plans
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO
Product Name: Colorado Choice - Small Group Market
Project Name/Number: /

Schedule	Schedule Item	Schedule Item Status	Public Access
Form	SBC GoldChoice 500/30 SBC		Yes
Form	SBC GoldChoice 1000/20 SBC		Yes
Form	SBC GoldChoice 1500/20 SBC		Yes
Form	CommunityChoice 70 - SBC		Yes
Form	CommunityChoice 80 - SBC		Yes
Form	Small Group Evidence of Coverage		Yes
Form	Small Group Product Application		Yes
Rate	Small Group Rating Manual		Yes

Final Disposition Letter

State Tracking #278051
Company: Colorado Choice Health Plan
Product Line: Small Group HMO

Rate Change Summary

Effective Date of New Rate Implementation: 1/1/2014 through 12/31/2014
This is a New ACA Compliant Filing for 2014, there is no rate change involved with this filing.

The purpose of this rate filing is to establish new product rates that are reasonable relative to the benefits provided and to demonstrate compliance with state laws and provisions of the Affordable Care Act (ACA).

Both On and Off Exchange Plans
Gold: 3 plans
Silver: 4 plans
Bronze: 3 plans

Off Exchange Only Plans
Silver: 2 plans

Rate Methodology

Experience Used for Rate Setting: CCHP small group population is not representative of the statewide small group population The impact of ACA-mandated benefit changes Product designs that differ substantially from current products offerings: The elimination of plan designs with deductible riders, The elimination of plan designs with Rx riders, Potential changes in the geographic mix of the future block of business.
The Milliman Health Cost Guidelines™ (HCG) cost and utilization information was used in the development of these rates. The data in the Guidelines is for a large group population. This may be a more appropriate basis for the development of future small group premium rates because large group experience includes a breadth of covered benefits consistent with those in the Essential Health Benefits (EHBs).

2012 Experience Period Loss Ratio: CO. Choice's Small Group achieved a 78.0% loss ratio in 2012 based on an average of 1,532 enrolled members with $5.9 Million in premiums ($323.11 pmpm).

Annual Health Cost Trends: 8.10%

Risk Adjustment: +2.5% (payments expected to the federal Risk Adjustment Program in 2014).

Smoking Factor: 15% higher rates for smokers at all ages.

Age Rating: 3.0 to 1.0 age rating factor limits for all adults age 21 and over.

Colorado 2014 Overall Average Premium: $353.49

* Federal Reported 2014 Comparable Average Premium: $353.49

* This is reported on the issuer's CMS URRT Form submitted in HIOS. It represents a standardized average premium calculation that is used by CMS for comparing and gauging premium develpment. It is not necessarily the actual average premium, which is shown in the line above as Colorado 2014 Overall Average Premium.

Premium Retained to Cover Expenses, Taxes Fees and Profits

Administrative costs: Expenses the insurance company pays to operate this insurance plan. This includes all expenses not directly related to paying claims, such as, but not limited to, salaries of company employees, the cost of the company's offices and equipment, commissions to agents to sell and service policies, subsidies to cover legally required plans such as portability, and taxes.

Profit: The amount of money remaining after claims and administrative expenses are paid. Margin is the comparable term for a nonprofit insurance company.

Premium retention is 24.16% which is shown as follows:

		% of Premium
	Issuer Primary Expense and Profit Retention	Retained
	Administrative Expenses:	13.00%
	Commissions:	5.00%
	Profit and Contingencies:	3.00%
	FIT - Federal Income Taxes:	0.00%
	Investment Income:	0.00%
(A)	Total:	21.00%
	Retention for Additional Required Taxes, Fees and Assessments	
	PPACA Health Insurer Fee:	
	PPACA Reinsurance Fee:	1.49%
	PPACA CERF and PCORF Fee:	0.05%
	PPACA Risk Adjustment User Fee:	0.02%
	Exchange user fees:	0.12%
	Premium Taxes:	0.00%
	State Income Taxes:	0.00%
	Other Fees, Assessments, Taxes:	0.00%
(B)	Total:	1.68%
	Additional Allowed for QI & Member Welfare Section	
	Quality Improvement:	1.48%
	Community Charitable:	
	IT for ICD-10 Conversion (max allowed 0.3%):	
(C)	Total:	1.48%
(D)	Total Premium Retention For All Purposes (A + B + C):	24.16%
(E)	Colorado Conventional Loss Ratio (100% - D):	75.84%
	Simplified Federal MLR Loss Ratio Basis: (E + C) / (100% - B - FIT):	78.64%

Sample of Final Premium Levels

	Denver				Fort Collins			
	21 Year Old		64 Year Old		21 Year Old		64 Year Old	
	Low	High	Low	High	Low	High	Low	High
Gold	$310.60	$315.18	$931.79	$945.54	$377.84	$383.41	$1,133.52	$1,150.24
Silver	$251.35	$269.31	$754.06	$807.93	$305.77	$327.62	$917.31	$982.85
Bronze	$214.28	$218.76	$642.83	$656.28	$260.67	$266.12	$782.00	$798.36

Division Objections and Rate Changes During the Review Process

The issuer was able to address all questions and provide the required support.

Final Rate Filing Disposition

The Division has filed the rates in their final form after all adjustments.

State: *Colorado* **Filing Company:** *Colorado Choice Health Plans*
TOI/Sub-TOI: *HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO*
Product Name: *Colorado Choice - Small Group Market*
Project Name/Number: */*

Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	07/10/2013
Submitted Date	07/10/2013
Respond By Date	07/15/2013

Dear Travis Gray,

Introduction:

This filing has been received, but before further action can be taken, please address the following:

Objection 1

- Actuarial Memorandum and Certifications (Supporting Document)

Comments:

Refer to the attached Retention Exhibit.

Please verify items in the illustrated consumer retention exhibit for the SG and Individual filings.
Note any items that you believe should be adjusted or differ in rounding.

Conclusion:

If any of the requested rate information results in changes to the filing forms (HR-1 or A, B, C or D), please also submit revised forms.

Sincerely,

Michael Muldoon

State: Colorado **Filing Company:** Colorado Choice Health Plans
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO
Product Name: Colorado Choice - Small Group Market
Project Name/Number: /

Attachment CO Choice Consumer Retention Exhibit.xlsx is not a PDF document and cannot be reproduced here.

SERFF Tracking #: MLCO-129028795 **State Tracking #:** 278051 **Company Tracking #:**

State: Colorado **Filing Company:** Colorado Choice Health Plans
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO
Product Name: Colorado Choice - Small Group Market
Project Name/Number: /

Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	06/14/2013
Submitted Date	06/14/2013
Respond By Date	06/19/2013

Dear Travis Gray,

Introduction:

This filing has been received, but before further action can be taken, please address the following:

Objection 1

Comments: Please provide a calculation summary that includes the starting index rate along with all of the components and factors used to reach the final index rate. Be sure to include all adjustments. Please upload an excel and pdf version of this summary.

Conclusion:

If any of the requested rate information results in changes to the filing forms (HR-1 or A, B, C or D), please also submit revised forms.

Colorado Insurance Regulation 1-1-8 requires that every person shall provide a complete response in writing to any inquiry from the Division of Insurance. This reply must be submitted by 06/19/2013, which is within 5 calendar days from the date of this correspondence. If additional time is required to provide a complete response, including any documentation which is requested, a request for an extension of time must be submitted by 06/19/2013.

The request for an extension of time must state the reason for such request and the number of additional days required to provide a complete response. Requests for additional time will be granted for good cause shown and for a reasonable period at the discretion of the Division. Requests for an extension of time must be submitted through SERFF.

Failure to provide a full or complete response, or to request an extension for a specified period, may result in the imposition of a $500 fine under Colorado Insurance Regulation 1-1-8 and applicable surcharge pursuant to §24-34-108(2), C.R.S. This surcharge will be used to fund the development, implementation and maintenance of a consumer outreach and education program. Pursuant to Section 6 of Colorado Insurance Regulation 1-1-8, and after notice and hearing, additional sanctions may be sought under C.R.S. 10-1-215 and other fining and penalty provisions of Title 10.

Sincerely,

Rachel Plummer

State: *Colorado* **Filing Company:** *Colorado Choice Health Plans*
TOI/Sub-TOI: *HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO*
Product Name: *Colorado Choice - Small Group Market*
Project Name/Number: */*

Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	06/04/2013
Submitted Date	06/04/2013
Respond By Date	06/11/2013

Dear Travis Gray,

Introduction:

This filing has been received, but before further action can be taken, please address the following:

Objection 1

Comments: objection 7 Regulation 4-2-11 section 6 (N) The experience needs to be provided on how the rates were developed. If the filing is to introduce a new product to Colorado, nationwide experience must be provided for this product, if available. If no experience for the new product is available, experience for a comparable product must be provided.

Conclusion:

Colorado Insurance Regulation 1-1-8 requires that every person shall provide a complete response in writing to any inquiry from the Division of Insurance. This reply must be submitted by 06/11/2013, which is within 7 calendar days from the date of this correspondence. If additional time is required to provide a complete response, including any documentation which is requested, a request for an extension of time must be submitted by 06/11/2013.

The request for an extension of time must state the reason for such request and the number of additional days required to provide a complete response. Requests for additional time will be granted for good cause shown and for a reasonable period at the discretion of the Division. Requests for an extension of time must be submitted through SERFF.

Failure to provide a full or complete response, or to request an extension for a specified period, may result in the imposition of a $500 fine under Colorado Insurance Regulation 1-1-8 and applicable surcharge pursuant to §24-34-108(2), C.R.S. This surcharge will be used to fund the development, implementation and maintenance of a consumer outreach and education program. Pursuant to Section 6 of Colorado Insurance Regulation 1-1-8, and after notice and hearing, additional sanctions may be sought under C.R.S. 10-1-215 and other fining and penalty provisions of Title 10.

Sincerely,

Cathy Gilliland

State: Colorado **Filing Company:** Colorado Choice Health Plans
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO
Product Name: Colorado Choice - Small Group Market
Project Name/Number: /

Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	05/20/2013
Submitted Date	05/20/2013
Respond By Date	06/03/2013

Dear Travis Gray,

Introduction:

This filing has been received, but before further action can be taken, please address the following:

Objection 1

Comments: Please correct the general information tab on the requested filing mode as file and use.

Objection 2

Comments: Once a filing has been submitted, the Lead Form Number cannot be changed. For future filings, please ensure that the Lead Form Number field has been completed. For more information and guidance on how to update the form schedule tab, please contact the SERFF help desk.

Objection 3

Comments: Please provide (0%) on the rate rule schedule for overall changes, etc.

Objection 4

- Actuarial Memorandum and Certifications (Supporting Document)

Comments: Regulation 4-2-11 section 6 (E) Please indicate which of the following PPACA benefits your plan has implemented:
Eliminate Annual Dollar Limits on Essential Benefits, Section 2711 of the PHSA/Section 1001 of the PPACA
Eliminate Lifetime Dollar Limits on Essential Benefits, Section 2711 of the PHSA/Section 1001 of the PPACA
Eliminate Pre-existing Condition Exclusions for Enrollees Under Age 19, Section 2711 of the PHSA/Section 1201 of the PPACA
Prohibit Rescissions, Section 2712 of the PHSA/Section 1001 of PPACA
Preventive Services, Section 2713 of the PHSA/Section 1001 of the PPACA
Extends Dependent Coverage for Children Until age 26, Section 2714 of the PHSA/Section 1001 of the PPACA
Appeals Process, Section 2719 of the PHSA/Section 1001 of the PPACA
Emergency Services, Section 2719A of the PHSA/Section 10101 of the PPACA
Access to Pediatricians, Section 2719A of the PHSA/Section 10101 of the PPACA
Access to OB/GYNs, Section 2719A of the PHSA/Section 10101 of the PPACA

Objection 5

- Actuarial Memorandum and Certifications (Supporting Document)

Comments: Regulation 4-2-11 section 6 (P) please correct to be annual projections. The information on the view rate review detail for requested information for Projected premiums and claims should be the same.

Objection 6

- Actuarial Memorandum and Certifications (Supporting Document)

Comments: Please explain why your annual financials for your retention components for General expenses, commissions are different.

Objection 7

- Actuarial Memorandum and Certifications (Supporting Document)

Comments: Regulation 4-2-11 section 6 (N) Data Requirements: The memorandum must, at a minimum, include earned premium, incurred claims, actual benefits ratio, number of claims, average covered lives and number of policyholders submitted on a

Colorado-only basis for at least 3 years.

3 .If the filing is to introduce a new product to Colorado, nationwide experience must be provided for this product, if available. If no experience for the new product is available, experience for a comparable product must be provided, if available.

Conclusion:

Colorado Insurance Regulation 1-1-8 requires that every person shall provide a complete response in writing to any inquiry from the Division of Insurance. This reply must be submitted by 6/03/2013, which is within 14 calendar days from the date of this correspondence. If additional time is required to provide a complete response, including any documentation which is requested, a request for an extension of time must be submitted by 06/03/2013.

The request for an extension of time must state the reason for such request and the number of additional days required to provide a complete response. Requests for additional time will be granted for good cause shown and for a reasonable period at the discretion of the Division. Requests for an extension of time must be submitted through SERFF.

Failure to provide a full or complete response, or to request an extension for a specified period, may result in the imposition of a $500 fine under Colorado Insurance Regulation 1-1-8 and applicable surcharge pursuant to §24-34-108(2), C.R.S. This surcharge will be used to fund the development, implementation and maintenance of a consumer outreach and education program. Pursuant to Section 6 of Colorado Insurance Regulation 1-1-8, and after notice and hearing, additional sanctions may be sought under C.R.S. 10-1-215 and other fining and penalty provisions of Title 10.

Sincerely,

Cathy Gilliland

SERFF Tracking #: MLCO-129028795 **State Tracking #:** 278051 **Company Tracking #:**

State: Colorado **Filing Company:** Colorado Choice Health Plans
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO
Product Name: Colorado Choice - Small Group Market
Project Name/Number: /

Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	05/15/2013
Submitted Date	05/15/2013
Respond By Date	05/22/2013

Dear Travis Gray,

Introduction:

This filing has been received, but before further action can be taken, please address the following:

Objection 1

Comments: Please provide the state's small group Actuarial Memorandum in XLS attachment. We are not able to populate with a xlsx attachment.

Conclusion:

Colorado Insurance Regulation 1-1-8 requires that every person shall provide a complete response in writing to any inquiry from the Division of Insurance. This reply must be submitted by 05/22/2013, which is within 7 calendar days from the date of this correspondence. If additional time is required to provide a complete response, including any documentation which is requested, a request for an extension of time must be submitted by 05/22/2013.

The request for an extension of time must state the reason for such request and the number of additional days required to provide a complete response. Requests for additional time will be granted for good cause shown and for a reasonable period at the discretion of the Division. Requests for an extension of time must be submitted through SERFF.

Failure to provide a full or complete response, or to request an extension for a specified period, may result in the imposition of a $500 fine under Colorado Insurance Regulation 1-1-8 and applicable surcharge pursuant to §24-34-108(2), C.R.S. This surcharge will be used to fund the development, implementation and maintenance of a consumer outreach and education program. Pursuant to Section 6 of Colorado Insurance Regulation 1-1-8, and after notice and hearing, additional sanctions may be sought under C.R.S. 10-1-215 and other fining and penalty provisions of Title 10.

Sincerely,

Cathy Gilliland

SERFF Tracking #:	*MLCO-129028795*	***State Tracking #:***	*278051*	***Company Tracking #:***	

State:	*Colorado*	***Filing Company:***	*Colorado Choice Health Plans*
TOI/Sub-TOI:	*HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO*		
Product Name:	*Colorado Choice - Small Group Market*		
Project Name/Number:	*/*		

Response Letter

Response Letter Status	Submitted to State
Response Letter Date	07/15/2013
Submitted Date	07/15/2013

Dear Cathy Gilliland,

Introduction:

Please see the attached for our response

Response 1

Comments:

Please see the file attached for our response.

Related Objection 1

Applies To:

- Actuarial Memorandum and Certifications (Supporting Document)

Comments:

Refer to the attached Retention Exhibit.

Please verify items in the illustrated consumer retention exhibit for the SG and Individual filings.
Note any items that you believe should be adjusted or differ in rounding.

Changed Items:

Supporting Document Schedule Item Changes	
Satisfied - Item:	Response to 2013-07-10 Objections Letter
Comments:	The attached file contains our response to the 2013-07-10 Objection related to the calculation of MLR.
Attachment(s):	CCHP Small Group Market - Response to 2013-07-10 Objections Letter.pdf

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

SERFF Tracking #:	*MLCO-129028795*	***State Tracking #:***	*278051*	***Company Tracking #:***	

State:	*Colorado*	***Filing Company:***	*Colorado Choice Health Plans*
TOI/Sub-TOI:	*HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO*		
Product Name:	*Colorado Choice - Small Group Market*		
Project Name/Number:	*/*		

Sincerely,
Travis Gray

SERFF Tracking #:	*MLCO-129028795*	***State Tracking #:***	*278051*	***Company Tracking #:***	

State:	*Colorado*	***Filing Company:***	*Colorado Choice Health Plans*
TOI/Sub-TOI:	*HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO*		
Product Name:	*Colorado Choice - Small Group Market*		
Project Name/Number:	*/*		

Response Letter

Response Letter Status	Submitted to State
Response Letter Date	06/19/2013
Submitted Date	06/19/2013

Dear Cathy Gilliland,

Introduction:

Please see the attached for our response to this objection.

Response 1

Comments:

As requested, we have included both a PDF and an Excel version of our response.

Related Objection 1

Comments: Please provide a calculation summary that includes the starting index rate along with all of the components and factors used to reach the final index rate. Be sure to include all adjustments. Please upload an excel and pdf version of this summary.

Changed Items:

Supporting Document Schedule Item Changes	
Satisfied - Item:	Response to 2013-06-14 Objections Letter
Comments:	As requested, we have included a PDF and an Excel version of our response to this objection.
Attachment(s):	CCHP Small Group Market - Response to 2013-06-14 Objections Letter.pdf COH - Small Group Objection Response 06-14-2013.xlsx

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

Sincerely,
Travis Gray

SERFF Tracking #:	*MLCO-129028795*	***State Tracking #:***	*278051*	***Company Tracking #:***	

State:	*Colorado*	***Filing Company:***	*Colorado Choice Health Plans*
TOI/Sub-TOI:	*HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO*		
Product Name:	*Colorado Choice - Small Group Market*		
Project Name/Number:	*/*		

Response Letter

Response Letter Status	Submitted to State
Response Letter Date	06/11/2013
Submitted Date	06/11/2013

Dear Cathy Gilliland,

Introduction:

Please see the attached document for our response to this objection.

Response 1

Comments:

Please see the attached document for our response to this objection.

Related Objection 1

Comments: objection 7 Regulation 4-2-11 section 6 (N) The experience needs to be provided on how the rates were developed. If the filing is to introduce a new product to Colorado, nationwide experience must be provided for this product, if available. If no experience for the new product is available, experience for a comparable product must be provided.

Changed Items:

Supporting Document Schedule Item Changes	
Satisfied - Item:	Response to 2013-06-04 Objection Letter
Comments:	The attached file contains our response to the objection letter from 2013-06-04.
Attachment(s):	CCHP SG Market - Response to 2013-06-04 Objections Letter.pdf

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

Sincerely,
Travis Gray

SERFF Tracking #:	MLCO-129028795	**State Tracking #:**	278051	**Company Tracking #:**	

State:	Colorado	**Filing Company:**	Colorado Choice Health Plans
TOI/Sub-TOI:	HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO		
Product Name:	Colorado Choice - Small Group Market		
Project Name/Number:	/		

Response Letter

Response Letter Status	Submitted to State
Response Letter Date	06/03/2013
Submitted Date	06/03/2013

Dear Cathy Gilliland,

Introduction:

Please see the attached pdf file for our responses to these objections.

Response 1

Comments:

We have updated this field in SERFF as part of a post submission update.

Related Objection 1

Comments: Please correct the general information tab on the requested filing mode as file and use.

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Response 2

Comments:

Thank you for this information.

Related Objection 2

Comments: Once a filing has been submitted, the Lead Form Number cannot be changed. For future filings, please ensure that the Lead Form Number field has been completed. For more information and guidance on how to update the form schedule tab, please contact the SERFF help desk.

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Response 3

Comments:

We have edited this information SERFF. It now says 0% in these cells (these are new products without any existing rates against which the proposed rates can be compared).

Related Objection 3

Comments: Please provide (0%) on the rate rule schedule for overall changes, etc.

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Response 4

Comments:

We have implemented each of the benefits listed. Please see the attached document for a more detailed response in tabular form.

Related Objection 4

Applies To:

- Actuarial Memorandum and Certifications (Supporting Document)

Comments: Regulation 4-2-11 section 6 (E) Please indicate which of the following PPACA benefits your plan has implemented:
Eliminate Annual Dollar Limits on Essential Benefits, Section 2711 of the PHSA/Section 1001 of the PPACA
Eliminate Lifetime Dollar Limits on Essential Benefits, Section 2711 of the PHSA/Section 1001 of the PPACA
Eliminate Pre-existing Condition Exclusions for Enrollees Under Age 19, Section 2711 of the PHSA/Section 1201 of the PPACA
Prohibit Rescissions, Section 2712 of the PHSA/Section 1001 of PPACA
Preventive Services, Section 2713 of the PHSA/Section 1001 of the PPACA
Extends Dependent Coverage for Children Until age 26, Section 2714 of the PHSA/Section 1001 of the PPACA
Appeals Process, Section 2719 of the PHSA/Section 1001 of the PPACA
Emergency Services, Section 2719A of the PHSA/Section 10101 of the PPACA
Access to Pediatricians, Section 2719A of the PHSA/Section 10101 of the PPACA
Access to OB/GYNs, Section 2719A of the PHSA/Section 10101 of the PPACA

Changed Items:

Supporting Document Schedule Item Changes	
Satisfied - Item:	Response to 2013-05-20 Objections Letter
Comments:	The attached file contains our response to the objections letter from 2013-05-20.
Attachment(s):	CCHP SG Market - Response to 2013-05-20 Objections Letter.pdf

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Response 5

Comments:

Please see the attached document for a tabular version of the data entered on the "requested rate" section in SERFF.

Note that the rate review detail for projected incurred claims does not include risk adjuster payments, while the benefit ratio calculation in the actuarial memorandum, Section P, does incorporate risk adjuster payments as an addition to claims. This is the reason that the ratio in the aforementioned table is not the same as the original table in Section P of the memorandum.

Related Objection 5

Applies To:

- Actuarial Memorandum and Certifications (Supporting Document)

Comments: Regulation 4-2-11 section 6 (P) please correct to be annual projections. The information on the view rate review detail for requested information for Projected premiums and claims should be the same.

Changed Items:

Supporting Document Schedule Item Changes	
Satisfied - Item:	Response to 2013-05-20 Objections Letter
Comments:	The attached file contains our response to the objections letter from 2013-05-20.
Attachment(s):	CCHP SG Market - Response to 2013-05-20 Objections Letter.pdf

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Response 6

Comments:

These are new products, and therefore, previous expense allocations are not appropriate. The small group products offered by Colorado Choice in the past are quite different from these products due to the large change in the market landscape and additional requirements and fees introduced by the PPACA. We have developed new projections for retention components that we believe are more appropriate.

Therefore, the retention components in our annual statements are not intended to be replicated for these future products.

Related Objection 6

Applies To:

- Actuarial Memorandum and Certifications (Supporting Document)

Comments: Please explain why your annual financials for your retention components for General expenses, commissions are different.

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Response 7

Comments:

These are new products without any prior experience, consistent with our response in Section L of the actuarial memorandum. Section K of the actuarial memorandum provides a detailed description of the process by which the proposed rates were developed.

Related Objection 7

Applies To:

- Actuarial Memorandum and Certifications (Supporting Document)

Comments: Regulation 4-2-11 section 6 (N) Data Requirements: The memorandum must, at a minimum, include earned premium, incurred claims, actual benefits ratio, number of claims, average covered lives and number of policyholders submitted on a Colorado-only basis for at least 3 years.
3 .If the filing is to introduce a new product to Colorado, nationwide experience must be provided for this product, if available. If no experience for the new product is available, experience for a comparable product must be provided, if available.

Changed Items:

No Supporting Documents changed.

SERFF Tracking #:	MLCO-129028795	**State Tracking #:**	278051	**Company Tracking #:**	

State:	Colorado	**Filing Company:**	Colorado Choice Health Plans
TOI/Sub-TOI:	HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO		
Product Name:	Colorado Choice - Small Group Market		
Project Name/Number:	/		

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

Sincerely,
Travis Gray

State: *Colorado* **Filing Company:** *Colorado Choice Health Plans*
TOI/Sub-TOI: *HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO*
Product Name: *Colorado Choice - Small Group Market*
Project Name/Number: */*

Response Letter

Response Letter Status	Submitted to State
Response Letter Date	06/11/2013
Submitted Date	06/11/2013

Dear Cathy Gilliland,

Introduction:

Response 1

Comments:

Per your 5/17 comment, this objection was already handled.

Related Objection 1

Comments: Please provide the state's small group Actuarial Memorandum in XLS attachment. We are not able to populate with a xlsx attachment.

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

Sincerely,
Travis Gray

State:	*Colorado*	***Filing Company:***	*Colorado Choice Health Plans*
TOI/Sub-TOI:	*HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO*		
Product Name:	*Colorado Choice - Small Group Market*		
Project Name/Number:	*/*		

Note To Filer

Created By:

Cathy Gilliland on 05/17/2013 11:41 AM

Last Edited By:

Cathy Gilliland

Submitted On:

05/21/2013 08:58 AM

Subject:

objection 1

Comments:

Please disregard objection 1 as we were able to open.

State: *Colorado* ***Filing Company:*** *Colorado Choice Health Plans*
TOI/Sub-TOI: *HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO*
Product Name: *Colorado Choice - Small Group Market*
Project Name/Number: */*

Post Submission Update Request Processed On 06/04/2013

Status:	Allowed
Created By:	Travis Gray
Processed By:	Cathy Gilliland
Comments:	

General Information:

Field Name	Requested Change	Prior Value
Requested Filing Mode	File & Use	Review & Approval

Company Rate Information:

Company Name:Colorado Choice Health Plans

Field Name	Requested Change	Prior Value
Overall % Indicated Change	0.000%	
Overall % Rate Impact	0.000%	
Written Premium Change for this Program	$0	
# of Policy Holders Affected for this Program	0	
Written Premium for this Program	$0	
Maximum %Change (where required)	0.000%	
Minimum %Change (where required)	0.000%	

SERFF Tracking #: MLCO-129028795 **State Tracking #:** 278051 **Company Tracking #:**

State: Colorado **Filing Company:** Colorado Choice Health Plans
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO
Product Name: Colorado Choice - Small Group Market
Project Name/Number: /

Form Schedule

Lead Form Number:

Item No.	Schedule Item Status	Form Name	Form Number	Form Type	Form Action	Action Specific Data	Readability Score	Attachments
1		SBC BronzeChoice HSA 3000/50 SBC	63312CO0590001SBC2014	POL	Initial			
2		SBC BronzeChoice 3000/50 SBC	63312CO0590002SBC2014	POL	Initial			
3		SBC BronzeChoice 5000/50 SBC	63312CO0590003SBC2014	POL	Initial			
4		SBC SilverChoice 1500/30 SBC	63312CO0590004SBC2014	POL	Initial			
5		SBC SilverChoice 1500/50 SBC	63312CO0590005SBC2014	POL	Initial			
6		SBC SilverChoice 2000/40 SBC	63312CO0590006SBC2014	POL	Initial			
7		SBC SilverChoice 2000/50 SBC	63312CO0590007SBC2014	POL	Initial			
8		SBC GoldChoice 500/30 SBC	63312CO0590008SBC2014	POL	Initial			

SERFF Tracking #: MLCO-129028795 **State Tracking #:** 278051 **Company Tracking #:**

State: Colorado **Filing Company:** Colorado Choice Health Plans
TOI/Sub-TOI: HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO
Product Name: Colorado Choice - Small Group Market
Project Name/Number: /

Lead Form Number:

Item No.	Schedule Item Status	Form Name	Form Number	Form Type	Form Action	Action Specific Data	Readability Score	Attachments
9		SBC GoldChoice 1000/20 SBC	63312CO0590009 SBC2014	POL	Initial			
10		SBC GoldChoice 1500/20 SBC	63312CO0590010 SBC2014	POL	Initial			
11		CommunityChoice 70 - SBC	63312CO0590011 SBC2014	POL	Initial			
12		CommunityChoice 80 - SBC	63312CO0590012 SBC2014	POL	Initial			
13		Small Group Evidence of Coverage	63312CO059 - EOC	CER	Initial			
14		Small Group Product Application	63312CO059 - UnApp	AEF	Initial			

Form Type Legend:

ADV	Advertising	**AEF**	Application/Enrollment Form
CER	Certificate	**CERA**	Certificate Amendment, Insert Page, Endorsement or Rider
DDP	Data/Declaration Pages	**FND**	Funding Agreement (Annuity, Individual and Group)
MTX	Matrix	**NOC**	Notice of Coverage
OTH	Other	**OUT**	Outline of Coverage

SERFF Tracking #:	*MLCO-129028795*	***State Tracking #:***	*278051*	***Company Tracking #:***

State:	*Colorado*	***Filing Company:***	*Colorado Choice Health Plans*
TOI/Sub-TOI:	*HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO*		
Product Name:	*Colorado Choice - Small Group Market*		
Project Name/Number:	*/*		

PJK	Policy Jacket	**POL**	Policy/Contract/Fraternal Certificate
POLA	Policy/Contract/Fraternal Certificate: Amendment, Insert Page, Endorsement or Rider	**SCH**	Schedule Pages

State: *Colorado* **Filing Company:** *Colorado Choice Health Plans*
TOI/Sub-TOI: *HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO*
Product Name: *Colorado Choice - Small Group Market*
Project Name/Number: */*

Rate Justification

Rate Methodology
Experience Used for Rate Setting: CCHP small group population is not representative of the statewide small group population The impact of ACA-mandated benefit changes Product designs that differ substantially from current products offerings: The elimination of plan designs with deductible riders, The elimination of plan designs with Rx riders, Potential changes in the geographic mix of the future block of business.
The Milliman Health Cost Guidelinesâ„¢ (HCG) cost and utilization information was used in the development of these rates. The data in the Guidelines is for a large group population. This may be a more appropriate basis for the development of future small group premium rates because large group experience includes a breadth of covered benefits consistent with those in the Essential Health Benefits (EHBs).

2012 Experience Period Loss Ratio: CO. Choiceâ€™s Small Group achieved a 78.0oss ratio in 2012 based on an average of 1,532 enrolled members with $5.9 Million in premiums ($323.11 pmpm).
Annual Health Cost Trends: 8.10Risk Adjustment: 2.5payments expected to the federal Risk Adjustment Program in 2014).

Smoking Factor: 15igher rates for smokers at all ages.
Age Rating: 3.0 to 1.0 age rating factor limits for all adults age 21 and over.
Colorado 2014 Overall Average Premium: $353.49
* Federal Reported 2014 Comparable Average Premium: $353.49
* This is reported on the issuerâ€™s CMS URRT Form submitted in HIOS. It represents a standardized average premium calculation that is used by CMS for comparing and gauging premium develpment. It is not necessarily the actual average premium, which is shown in the line above as Colorado 2014 Overall Average Premium.

Premium Retained to Cover Expenses, Taxes Fees and Profits

Administrative costs: Expenses the insurance company pays to operate this insurance plan.
This includes all expenses not directly related to paying claims, such as, but not limited to, salaries of company employees, the cost of the companyâ€™s offices and equipment, commissions
to agents to sell and service policies, subsidies to cover legally required plans such as portability, and taxes.

Profit: The amount of money remaining after claims and administrative expenses are paid. Margin is the comparable term for a nonprofit insurance company.

Premium retention is 24.16hich is shown as follows:
f Premium
Issuer Primary Expense and Profit Retention Retained
Administrative Expenses: 13.00 Commissions: 5.00 Profit and Contingencies: 3.00 FIT - Federal Income Taxes: 0.00 Investment Income: 0.00A) Total: 21.00
Retention for Additional Required Taxes, Fees and Assessments
PPACA Health Insurer Fee:
PPACA Reinsurance Fee: 1.49 PPACA CERF and PCORF Fee: 0.05 PPACA Risk Adjustment User Fee: 0.02 Exchange user fees: 0.12 Premium Taxes: 0.00 State Income Taxes: 0.00 Other Fees, Assessments, Taxes: 0.00B) Total: 1.68
Additional Allowed for QI

SERFF Tracking #:	*MLCO-129028795*	***State Tracking #:***	*278051*	***Company Tracking #:***	

State:	*Colorado*	***Filing Company:***	*Colorado Choice Health Plans*
TOI/Sub-TOI:	*HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO*		
Product Name:	*Colorado Choice - Small Group Market*		
Project Name/Number:	*/*		

Rate Information

Rate data applies to filing.

Filing Method:	Electronic
Rate Change Type:	%
Overall Percentage of Last Rate Revision:	%
Effective Date of Last Rate Revision:	
Filing Method of Last Filing:	

Company Rate Information

Company Name:	Company Rate Change:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
Colorado Choice Health Plans	New Product	0.000%	0.000%	$0	0	$0	0.000%	0.000%

Product Type:	HMO	PPO	EPO	POS	HSA	HDHP	FFS	Other
Covered Lives:								
Policy Holders:								

State: *Colorado* ***Filing Company:*** *Colorado Choice Health Plans*
TOI/Sub-TOI: *HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO*
Product Name: *Colorado Choice - Small Group Market*
Project Name/Number: */*

Rate Review Detail

COMPANY:

Company Name: Colorado Choice Health Plans
HHS Issuer Id: 63312
Product Names: BronzeChoice HSA 3000/50, BronzeChoice 3000/50, BronzeChoice 5000/50, SilverChoice HSA 1500/30, SilverChoice 1500/50, SilverChoice 2000/40, SilverChoice 2000/50, GoldChoice 500/30, GoldChoice 1000/20, GoldChoice 1500/20, CommunityChoice 70, CommunityChoice 80
Trend Factors:

FORMS:

New Policy Forms: 63312CO059001 SBC2014, 63312CO059002 SBC2014, 63312CO059003 SBC2014, 63312CO059004 SBC2014, 63312CO059005 SBC2014, 63312CO059006 SBC2014, 63312CO059007 SBC2014, 63312CO059008 SBC2014, 63312CO059009 SBC2014, 63312CO059010 SBC2014, 63312CO059011 SBC2014, 63312CO059012 SBC2014, 63312CO059 - EOC, 63312CO059 - UnApp
Affected Forms:
Other Affected Forms:

REQUESTED RATE CHANGE INFORMATION:

Change Period: Quarterly
Member Months: 39,512
Benefit Change: None
Percent Change Requested: Min: 0.0 Max: 0.0 Avg: 0.0

PRIOR RATE:

Total Earned Premium: 0.00
Total Incurred Claims: 0.00
Annual $: Min: 0.00 Max: 0.00 Avg: 0.00

REQUESTED RATE:

Projected Earned Premium: 13,967,153.00
Projected Incurred Claims: 10,335,738.00
Annual $: Min: 122.04 Max: 1,420.18 Avg: 353.49

SERFF Tracking #:	*MLCO-129028795*	***State Tracking #:***	*278051*	***Company Tracking #:***	

State:	*Colorado*	***Filing Company:***	*Colorado Choice Health Plans*
TOI/Sub-TOI:	*HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO*		
Product Name:	*Colorado Choice - Small Group Market*		
Project Name/Number:	*/*		

Rate/Rule Schedule

Item No.	Schedule Item Status	Document Name	Affected Form Numbers (Separated with commas)	Rate Action	Rate Action Information	Attachments
1		Small Group Rating Manual		New		Rating Manual - CCHP SG Market Plans.pdf,

Colorado Choice Health Plans
Small Group Rating Manual

Base Rate	276.12

Plan	Rate Factor
GoldChoice 1000/20	1.1766
GoldChoice 1500/20	1.1596
GoldChoice 500/30	1.1768
SilverChoice 1500/50	1.0000
SilverChoice 2000/40	1.0055
SilverChoice HSA 1500/30	0.9833
SilverChoice 2000/50	0.9633
CommunityChoice 70	0.9384
CommunityChoice 80	0.9671
BronzeChoice 5000/50	0.8000
BronzeChoice 3000/50	0.8168
BronzeChoice HSA 3000/50	0.8059

Tobacco Factors

Age Band	Rate Factor
0-20	1.150
21-24	1.150
25-29	1.150
30-34	1.150
35-39	1.150
40-44	1.150
45-49	1.150
50-54	1.150
55-59	1.150
60-63	1.150
64+	1.150

Geographic Factors

Area	Rate Factor
Rating Area 2	0.870
Rating Area 3	0.970
Rating Area 4	1.180
Rating Area 6	1.200
Rating Area 8	1.000
Rating Area 9	1.180

Annual Trend Rate - 7.5%

Quarter 1	1.0000
Quarter 2	1.0182
Quarter 3	1.0368
Qiuarter 4	1.0557

Age Band	Rate Factor
0-20	0.635
21	1.000
22	1.000
23	1.000
24	1.000
25	1.004
26	1.024
27	1.048
28	1.087
29	1.119
30	1.135
31	1.159
32	1.183
33	1.198
34	1.214
35	1.222
36	1.230
37	1.238
38	1.246
39	1.262
40	1.278
41	1.302
42	1.325
43	1.357
44	1.397
45	1.444
46	1.500
47	1.563
48	1.635
49	1.706
50	1.786
51	1.865
52	1.952
53	2.040
54	2.135
55	2.230
56	2.333
57	2.437
58	2.548
59	2.603
60	2.714
61	2.810
62	2.873
63	2.952
64+	3.000

SERFF Tracking #:	*MLCO-129028795*	***State Tracking #:***	*278051*	***Company Tracking #:***	

State:	*Colorado*	***Filing Company:***	*Colorado Choice Health Plans*
TOI/Sub-TOI:	*HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO*		
Product Name:	*Colorado Choice - Small Group Market*		
Project Name/Number:	*/*		

Supporting Document Schedules

Bypassed - Item:	HR-1 Form (H)
Bypass Reason:	Not required.
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Consumer Disclosure Form
Bypass Reason:	Not required for new plans (no rate increase).
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Actuarial Memorandum and Certifications
Comments:	We have included the following items for small group products: Actuarial Certification Colorado Actuarial Memorandum Part III Actuarial Memorandum Completed Excel template
Attachment(s):	Milliman - Actuarial Certification - CCHP Small Group Products 2013-05-14.pdf Milliman - Actuarial memorandum - CCHP Small Group Products 2013-05-14.pdf Milliman - CCHP Part III memorandum - SG 2013-05-14.pdf Small Group Actuarial Memorandum Template (populated) 5-14-2013.xlsx
Item Status:	
Status Date:	

Satisfied - Item:	Unified Rate Review Template
Comments:	Attached the Excel version - per 5/14 instructions from DOI
Attachment(s):	CCHP - Small Group URRT 5-6-2013.xlsm
Item Status:	

Status Date:	

Satisfied - Item:	Letter of Authority
Comments:	Permission for Milliman to create these filings in SERFF
Attachment(s):	SERFF HIOS Permission Letter SIGNED.pdf
Item Status:	
Status Date:	

Satisfied - Item:	Rate Sample
Comments:	Populated template containing rate sample for 40 year old nonsmoker in the richest and leanest Silver and Gold plans. Includes rates for all for quarters.
Attachment(s):	State of Colorado - Rate Sample Small Group.xlsx
Item Status:	
Status Date:	

Satisfied - Item:	Response to 2013-05-20 Objections Letter
Comments:	The attached file contains our response to the objections letter from 2013-05-20.
Attachment(s):	CCHP SG Market - Response to 2013-05-20 Objections Letter.pdf
Item Status:	
Status Date:	

Satisfied - Item:	Response to 2013-06-04 Objection Letter
Comments:	The attached file contains our response to the objection letter from 2013-06-04.
Attachment(s):	CCHP SG Market - Response to 2013-06-04 Objections Letter.pdf
Item Status:	
Status Date:	

Satisfied - Item:	Response to 2013-06-14 Objections Letter
Comments:	As requested, we have included a PDF and an Excel version of our response to this objection.
Attachment(s):	CCHP Small Group Market - Response to 2013-06-14 Objections Letter.pdf COH - Small Group Objection Response 06-14-2013.xlsx

SERFF Tracking #:	*MLCO-129028795*	***State Tracking #:***	*278051*	***Company Tracking #:***	

State:	*Colorado*	***Filing Company:***	*Colorado Choice Health Plans*
TOI/Sub-TOI:	*HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO*		
Product Name:	*Colorado Choice - Small Group Market*		
Project Name/Number:	*/*		

Item Status:	
Status Date:	

Satisfied - Item:	Response to 2013-07-10 Objections Letter
Comments:	The attached file contains our response to the 2013-07-10 Objection related to the calculation of MLR.
Attachment(s):	CCHP Small Group Market - Response to 2013-07-10 Objections Letter.pdf
Item Status:	
Status Date:	

SERFF Tracking #:	MLCO-129028795	**State Tracking #:**	278051	**Company Tracking #:**	

State:	Colorado	**Filing Company:**	Colorado Choice Health Plans
TOI/Sub-TOI:	HOrg02G Group Health Organizations - Health Maintenance (HMO)/HOrg02G.004F Small Group Only - HMO		
Product Name:	Colorado Choice - Small Group Market		
Project Name/Number:	/		

Attachment Small Group Actuarial Memorandum Template (populated) 5-14-2013.xlsx is not a PDF document and cannot be reproduced here.

Attachment CCHP - Small Group URRT 5-6-2013.xlsm is not a PDF document and cannot be reproduced here.

Attachment State of Colorado - Rate Sample Small Group.xlsx is not a PDF document and cannot be reproduced here.

Attachment COH - Small Group Objection Response 06-14-2013.xlsx is not a PDF document and cannot be reproduced here.

ACTUARIAL CERTIFICATION

Colorado Choice Health Plans
Small Group Rate Filing Effective January 1, 2014
GoldChoice 500/30, GoldChoice 1000/20, GoldChoice 1500/20, SilverChoice HSA 1500/30, SilverChoice 1500/50, SilverChoice 2000/40, SilverChoice 2000/50, CommunityChoice 70, CommunityChoice 80, BronzeChoice HSA 3000/50, BronzeChoice 3000/50, BronzeChoice 5000/50

I, Mary van der Heijde, a member of the American Academy of Actuaries, am associated with the firm of Milliman, which has been retained by Colorado Choice Health Plans (CCHP) to render this opinion. I meet the Academy qualification standards for rendering the opinion and am familiar with the applicable Colorado statutory and regulatory requirements regarding preparation of actuarial memoranda and actuarial certifications for small group rate filings. I am qualified to render this opinion under the qualifications set forth in Colorado Insurance Regulation 1-1-1.

In particular, this certification is being prepared to demonstrate compliance with Colorado Regulation 4-2-11, as promulgated under the authority of C.R.S. 10-1-109, 10-3-1110, 10-16-107, 10-16-109, and 10-18-105(2). It is not intended to be used for any other purpose.

Actuarial Certification

To the best of my knowledge, this rate filing is in compliance with the applicable laws and regulations of the State of Colorado in effect as of May 14, 2013, except where those laws and regulations conflict with the Patient Protection and Affordable Care Act and its implementing regulations. In cases where Colorado law or regulation is in conflict with federal law or regulation, this rate filing complies with federal law or regulation or regulatory guidance. In my opinion, the premium rates described in my Actuarial Memorandum dated May 14, 2013, are not excessive, inadequate, or unfairly discriminatory.

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Mary van der Heijde, FSA, MAAA
Member, American Academy of Actuaries
May 14, 2013

ACTUARIAL MEMORANDUM

Colorado Choice Health Plans
Small Group Rate Filing Effective January 1, 2014
GoldChoice 500/30, GoldChoice 1000/20, GoldChoice 1500/20, SilverChoice HSA 1500/30, SilverChoice 1500/50, SilverChoice 2000/40, SilverChoice 2000/50, CommunityChoice 70, CommunityChoice 80, BronzeChoice HSA 3000/50, BronzeChoice 3000/50, BronzeChoice 5000/50

I, Mary van der Heijde, a member of the American Academy of Actuaries, am associated with the firm of Milliman, which has been retained by Colorado Choice Health Plans (CCHP) to prepare this memorandum. I meet the Academy qualification standards for rendering the opinion that accompanies this memorandum (dated May 14, 2013) and am familiar with the applicable Colorado statutory and regulatory requirements regarding preparation of actuarial memoranda and actuarial certifications for small group rate filings. I am qualified to render this opinion under the qualifications set forth in Colorado Insurance Regulation 1-1-1.

In particular, this memorandum is being prepared to demonstrate compliance with Colorado Regulation 4-2-11, as promulgated under the authority of C.R.S. 10-1-109, 10-3-1110, 10-16-107, 10-16-109, and 10-18-105(2). It is not intended to be used for any other purpose.

The Colorado Division of Insurance (DOI) released a document on May 7, 2013, entitled “PPACA Rate Filing Procedures for Colorado” (hereafter, “the May 7 guidance”). This document describes the desired content of the actuarial memorandum, and it differs in some ways from the instructions in Regulation 4-2-11 as currently in force (version effective February 1, 2013). This memorandum has been prepared using the version of Regulation 4-2-11 that became effective February 1, 2013. The memorandum will note instances where section labels are different in the May 7 guidance. To the extent that the requirements of the regulation are not applicable under federal law and regulations, the memorandum states this in the appropriate section. Where requirements of Regulation 4-2-11 conflict with federal requirements, the federal requirements are assumed to supersede the conflicting provision of state law or regulation.

The May 7 guidance requires that several elements of this memorandum be submitted in Excel format. We have attached an Excel workbook with these elements. The Excel workbook repeats information found in this memorandum, but due to the limitations of the template, it cannot contain all information to completely describe the rates. Some of the required tables are also not applicable to new products. The attached Excel workbook is merely a supplement to this memorandum and should not be read in isolation; the workbook on its own does not constitute an “Actuarial Report” as defined in Actuarial Standard of Practice No. 41.

A. Summary

1. This rate filing is for new products to be sold on and off Connect for Health Colorado starting January 1, 2014.
2. This filing contains the initial rates for this product; because the products are new, this is neither a rate increase nor decrease. As well, there is no renewal history for this product.
3. These products will be marketed using brokers, radio, direct response, internet, and print media, as well as through grassroots outreach and events to educate and inform the community.
4. Under the Patient Protection and Affordable Care Act (PL 111-148 and PL 111-152; hereafter, “ACA”), premiums for the same product may vary among individuals only based on age, tobacco use, family composition, and geographic area (Public Health Service Act, §2701, as amended by the ACA, §1201).

Premiums will vary by member age, geographic area, and tobacco use status. Federal regulation clarified that for family composition, each family member must be rated as an individual, but no more than three family members under age 21 may be taken into account when calculating the premium for family coverage (45 CFR §147.102(c)). Accordingly, premiums for these products will vary by age, geographic area, and tobacco use, and each individual family member will be rated separately, except that for families with more than three children under age 21, only the first three will be counted.

5. Twelve products are covered by this rate filing:

- GoldChoice 500/30. This product has a benefit design with a gold level of coverage, as defined by the ACA, §1302(d).
- GoldChoice 1000/20. This product has a benefit design with a gold level of coverage, as defined by the ACA, §1302(d).
- GoldChoice 1500/20. This product has a benefit design with a gold level of coverage, as defined by the ACA, §1302(d).
- SilverChoice HSA 1500/30. This product has a benefit design with a silver level of coverage, as defined by the ACA, §1302(d).
- SilverChoice 1500/50. This product has a benefit design with a silver level of coverage, as defined by the ACA, §1302(d).
- SilverChoice 2000/40. This product has a benefit design with a silver level of coverage, as defined by the ACA, §1302(d).
- SilverChoice 2000/50. This product has a benefit design with a silver level of coverage, as defined by the ACA, §1302(d).
- CommunityChoice 70. This product has a benefit design with a silver level of coverage, as defined by the ACA, §1302(d). This product will not be sold on Connect for Health Colorado.
- CommunityChoice 80. This product has a benefit design with a silver level of coverage, as defined by the ACA, §1302(d). This product will not be sold on Connect for Health Colorado.
- BronzeChoice HSA 3000/50. This product has a benefit design with a bronze level of coverage, as defined by the ACA, §1302(d).
- BronzeChoice 3000/50. This product has a benefit design with a bronze level of coverage, as defined by the ACA, §1302(d).
- BronzeChoice 5000/50. This product has a benefit design with a bronze level of coverage, as defined by the ACA, §1302(d).

The benefit designs for the products are provided in other templates submitted with this rate filing.

Each of these products provide the essential health benefits (EHB) described in the ACA, §1302. There are no supplemental (non-EHB) benefits. The federal government gave each state the flexibility to choose an EHB package based on one of ten possible benchmark options. Colorado has selected the largest small group plan in the state (Kaiser Foundation Health Plan of Colorado Deductible/Coinsurance HMO 1200D), supplemented by the pediatric dental benefits in the CHP+ program. None of the CCHP products include a pediatric dental benefit due to the expected presence of a standalone dental plan on Connect for Health Colorado. Under the ACA, §1302(b)(4)(F), a QHP is not required to offer pediatric dental benefits if a stand-alone dental plan is available on the state exchange. The DOI has established a filing deadline for stand-alone dental products that is later than the filing deadline for small group medical plans. Therefore, it cannot be known with certainty as of the filing date that a stand-alone dental plan will be available on Connect for Health Colorado. We would re-file new rates should it become necessary at a later date for CCHP to add pediatric dental

benefits (if, for example, no stand-alone dental plan is filed, or none is approved by the DOI, or none is certified by Connect for Health Colorado). The network for these products will be a direct contracted HMO, closed panel network. As mandated, urgent and emergent care benefits are authorized out of network. No other benefits will be authorized outside of the closed panel network.

6. A list of all policy forms affected by this rate filing can be found on the Form Schedule tab, submitted along with this memorandum in SERFF.

7. (This item is marked as item 6 in the May 7 guidance.) Premiums are charged on an attained-age basis, based on age at the date of policy issuance or renewal. Section K of this memorandum describes age rating in more detail. Colorado Regulation 4-2-11, Section 8A, prohibits attained age rating where the slope of the premium schedule by age is "substantially different from the slope of the ultimate claim cost curve." This requirement conflicts with 45 CFR §147.102(d)-(e), which prescribes a specific premium age curve that may not be similar to the slope of the claim cost curve. This rate filing conforms to the federal requirements.

8. (This item is marked as item 7 in the May 7 guidance.) This policy is guaranteed renewable. Premiums are not guaranteed for any period following one calendar year after the date of issue.

B. Assumption, Acquisition, or Merger

The products included in this filing are not part of an assumption, acquisition, or merger of policies from or with another company.

C. Rating Period

The rates in this filing will be applicable January 1, 2014. Premiums will change quarterly consistent with an annual trend rate of 7.5%. These rates cover renewals effective through December 31, 2014. These rates will remain in effect for one calendar year after issue and are not guaranteed after that period.

D. Underwriting

No underwriting is applied for these products. These are new products, and therefore contain no grandfathered plans.

E. Effect of Law Changes

This section is labeled Section D in the May 7 guidance.

These are new products and have been designed to conform to all legal and regulatory requirements (federal and state) as of the date of this filing. Because the products are new, there are no prior rates against which changes can be measured. This filing does not account for any laws that may be signed after the date of this memorandum, nor any regulatory changes that may be issued after the date of this memorandum.

F. Rate History

This section is labeled Section E in the May 7 guidance.

These are new products, so there is no rate history available. The Rates Template, uploaded elsewhere in SERFF, contains the proposed 2014 rates for each combination of plan design, rating area, tobacco status, age, and issue date.

G. Coordination of Benefits

This section is labeled Section F in the May 7 guidance.

Because these are new products, there is no historical experience available. The projections of future claim costs are for CCHP's liability, net of any amounts that may be recoverable from other parties.

H. Relation of Benefits to Premium

This section is labeled Section G in the May 7 Guidance.

The targeted loss ratio is 75.84% for each product. The retention components are as follows:

Table 1 – Retention components

Component	Percent of Premium
General administrative expenses	13.00%
Commissions	5.00%
Quality improvement expenses	1.48%
Stop-loss reinsurance premium, net of recoveries	0.00%
Transitional reinsurance premium, net of recoveries	1.49%
Exchange administrative fee	0.12%
Comparative effectiveness research fee	0.05%
Transitional reinsurance operating fee	0.00%
Health insurer fee (ACA §9010, as amended)	0.00%
Risk adjustment administrative fee	0.02%
Investment income on reserves	0.00%
Provision for profit and contingencies	3.00%
Total	**24.16%**

Investment income from claim reserves is included in the provision for profit and contingencies line and is expected to be immaterial in 2014.

Note that the total in the bottom row of Table 1 is not the same as the medical loss ratio that would be computed under federal rules for the purpose of determining whether a rebate is owed to members.

I. Lifetime Loss Ratio

These products are not priced using a lifetime loss ratio.

J. Provision for Profit and Contingencies

This section is labeled Section H in the May 7 guidance.

CCHP's provision for profit and contingencies is 3% of premium, as shown in section H. Section K explains how this provision is included in the premiums. Investment income on reserves is not expected to be material.

K. Complete explanation as to how the proposed Rates were developed

This Section is labeled Section I in the May 7 guidance.

BACKGROUND

Under federal rules implementing the ACA (published in the Federal Register February 27, 2013, Vol. 78, No. 39, pp. 13406-13442), insurance issuers in the small group market must follow a prescribed set of guidelines in setting premiums. The basic approach is to develop a "market-wide index rate," which is applicable to all plans if the issuer sells in the small group market. To that index rate, multiplicative adjustment factors are applied to calculate a small group member's premium. Those adjustment factors are:

- Plan selection factor (due to actuarial value and cost sharing design, provider network, delivery system, and utilization management practices, benefits in addition to EHBs, administrative costs, and characteristics of catastrophic plans)
- Age factor
- Geographic area factor
- Tobacco use factor

This section of the memorandum describes the process we followed to develop the index rate for CCHP's small group products and the plan-specific adjustment factors.

An index rate in this context is not the average claim cost or average premium for the projected insured population. Rather, the index rate is a base rate to which the factors above are applied to arrive at a premium for an individual member. It would not be mathematically possible for the index rate to represent a market average premium or claim cost for the entire insured population, because the set of age factors required by law does not have a 1.00 average (when weighted across the age profile of the insured population). The projected average claim costs and premium for this population can be found in Table 2 below, but the index rate is something different from either of these (as shown in the last row of Table 2).

DATA

Although CCHP has claim experience in the small group market, that experience is not a credible basis for the development of these rates for the following reasons:

- CCHP small group population is not representative of the statewide small group population
- The impact of ACA-mandated benefit changes
- Product designs that differ substantially from current products offerings:
  - The elimination of plan designs with deductible riders
  - The elimination of plan designs with Rx riders
- Potential changes in the geographic mix of the future block of business

The Milliman *Health Cost Guidelines*™ (HCG) cost and utilization information was used in the development of these rates. Considerations for premium rate development include:

- Proposed benefit plan designs for new products;
- Anticipated medical trend, both utilization and cost of services;
- Anticipated changes in the average morbidity of CCHP's market given underwriting, rating, and benefit requirements effective January 1, 2014 under the ACA;
- Applicable taxes and fees, including those that are applicable in 2014 under the ACA; and
- Anticipated contributions to the Federal Transitional Reinsurance Program.

The HCGs have been developed as a result of Milliman's continuing research into commercial health care costs. First developed in 1954, the HCGs have been updated and expanded annually since that time. The HCGs are continually monitored as we use them in measuring the experience or evaluating the rates of our clients, and as we compare them to other data sources. The detailed claims and enrollment data underlying the guidelines represent over 54 million commercially insured lives.

The HCGs provide a flexible but consistent basis for the determination of claim costs for a wide variety of health benefit plans. These rating structures are used to anticipate future claim levels, evaluate past experience and establish interrelationships between different health coverages.

The HCGs are a cooperative effort of all Milliman health actuaries and represent a combination of their experience, research and judgment. An extensive amount of data is used in developing these guidelines, including published and unpublished data. In most instances, cost assumptions are based upon our evaluation of several data sources and, hence, are not specifically attributable to a single source. Since these guidelines are a proprietary document of Milliman, they are only available for release to specific clients that lease these guidelines and to Milliman consulting health actuaries.

All adjustments and assumptions used in the HCGs stem from national claims and enrollment data by age, gender, and type of benefit. The primary use for these HCGs is to determine relative differences in expected claim costs between product types, benefit plans, medical management initiatives, negotiated provider reimbursement arrangements, age, gender, and area of the country. In particular, we adjusted these estimates to be on a Colorado-specific unit cost and utilization basis.

The HCGs include detailed claim cost and utilization assumptions, which are readily available in a format consistent with the benefit categories in Section II of the URRT based on a detailed claims mapping algorithm. The claim cost basis from the HCGs was allocated directly to the following categories:

- Inpatient Hospital
- Outpatient Hospital
- Professional
- Other Medical
- Prescription Drug

Claim costs for proposed plans were developed using the HCGs. Additional adjustments were made to reflect anticipated changes in the average morbidity of the underlying experience given underwriting, rating, and benefit requirements effective January 1, 2014 under ACA. We followed the steps below to adjust the HCG claim experience to be on an appropriate basis for premiums for CCHP and to calculate the market-wide index rate and the plan-level adjustments.

STEP 1: PROJECT TOTAL COLORADO MARKET MEMBERS AND HEALTH STATUS BY POPULATION COHORT

We expect significant shifts in the insured population when Connect for Health Colorado (the exchange) opens in 2014. We projected Colorado statewide population demographics and health status to help determine CCHP's share of the market.

The statewide market projections are based on the estimated population at the end of 2013, stratified by current insurance status, poverty status (income relative to FPL), health status, and family size. The Current Population Survey (CPS) from the U.S. Census provides state-level data for each of these strata. We adjusted the raw CPS data after reviewing the following additional data sources:

- Carriers' annual statutory financial filings provided to the NAIC. The filings contain reliable sizes of the individual and fully insured group markets.
- The Medicaid Statistical Information System (MSIS) (available through the Department of Health and Human Services), which provides reliable data on Medicaid enrollment in Colorado.

We trended the entire population from 2011 to 2014 based on projected population growth rates. We then estimated the proportion of the population that will purchase coverage on the individual and SHOP Exchanges (i.e., "take up" rates). The Exchange take-up rate assumptions are primarily driven by a person's current insurance status (i.e., insured or uninsured) and the federal subsidy available (if any) if the member enrolls in an individual Exchange plan.

We then applied employer-sponsored insurance transition rates, small group, and individual / uninsured Exchange take-up rates to estimate the population counts in each market (stratified by income-to-poverty ratio, health status, and family size).

For CCHP's products, the result is a 2014 statewide population projection by cohort (i.e., age, gender, income, and exchange status). Finally, we applied a smoothing algorithm to compensate for potential credibility issues.

STEP 2: PROJECT CCHP ENROLLMENT BY MARKET, EXCHANGE STATUS, AND PRODUCT

We projected CCHP's expected 2014 small group product enrollment on and off Connect for Health Colorado based on our estimate of the statewide population and CCHP's likely share of the total based on our assumed price relativity and appeal. We estimated the members that would select each of CCHP's benefit plans based on the expected appeal of the plan options and assumed 8% of these members are tobacco users. We also assumed that all 2014 members are enrolled for the entire year.

STEP 3: CLAIM COST PROJECTION

The basis used to develop rates for these new products is the 2012 HCGs. All adjustments and assumptions used in the HCGs stem from national claims and enrollment data by age, gender, and type of benefit. The primary use for these HCGs is to determine relative differences in expected claim costs between product types, benefit plans, medical management initiatives, negotiated provider reimbursement arrangements, age, gender, and area of the country. In particular, we adjusted these estimates to be on a Colorado-specific unit cost and utilization basis.

STEP 4: ADJUSTMENT FOR CHANGES IN MORBIDITY

The data in the HCGs are for a large group population. We believe this is a more appropriate basis for the development of future small group premium rates than current small group claim levels because large group experience includes a breadth of covered benefits consistent with those in the EHBs. The HCGs are based on the 2012 large group population. We project that the 2014 small group market population will have a population profile that is similar to the 2012 large group market so believe these claim cost projections are a good basis for projecting future experience in the small group market. Based on the

population projection as outlined in Step 1 above, we adjusted the 2012 large group claims to represent our estimate of the market average demographics and morbidity of the 2014 small group market.

We projected statewide risk scores by inferring the health status of the projected insured population by cohort using the self-reported health status field in the CPS data. We inferred a reasonable relative health status factor for each self-reported health status category based on the proportion of members within each self-reported health status category as well as risk scores generated for a large population dataset using the Milliman Advanced Risk Adjuster (MARA). We adjusted these inferred relative health status factors for age/gender claim cost factors from the HCGs to produce final statewide average risk scores for each population cohort. We developed an estimate that the 2014 small group market will have a 1.4% lower morbidity than the 2012 large group market, and so applied this adjustment factor to decrease the claim costs. Note that this factor does not include the impact of changes in demographics, to ensure that demographic shift is not counted twice.

STEP 5: CHANGES IN BENEFITS

The underlying utilization and charge levels assumed in the 2012 HCG baseline data are typical of a comprehensive major medical plan with a $500 deductible, 80% coinsurance, and a $2,000 out-of-pocket-maximum. Adjustments were made to reflect changes in utilization levels associated with different covered benefits (benefit limits and cost sharing). These adjustments have been developed by studying the historical impact of different contractual limitations and cost sharing on utilization experience of the covered population.

STEP 6: CHANGES IN DEMOGRAPHICS

We expect minimal shifts in the demographics of the insured population within the small group market when Connect for Health Colorado opens in 2014. We projected Colorado statewide population demographics and health status to help determine CCHP's share of the market. Because we are using the 2012 HCGs as the basis of these premiums, we adjusted those data to be on a basis consistent with our projections of the demographics in 2014. Please see Step 1 above for more detail on these projections.

STEP 7: ESTIMATE IMPACT OF RISK ADJUSTMENT

CCHP recognizes that to operate within a single risk pool, issuers are required to make a market-wide adjustment to the pooled market level index rate to account for federal risk adjustment and reinsurance payments. Therefore, CCHP must allocate anticipated risk adjustment revenue proportionately across all plans in the risk pool based on plan premiums by applying the risk adjustment transfer as a constant multiplicative factor across all plans. We have developed an estimate of the risk adjustment revenue for all of CCHP's plans in this risk pool.

Since differences between CCHP's 2014 expected population mix and the market level risk will be accounted for through risk adjustment transfer payments, the impact of those transfer payments must be adjusted for in the index rates. Essentially, the index rates are priced at a market average risk profile, and the extent to which CCHP's actual block of business differs from the market will be accounted for through these transfers rather than in the form of higher or lower premium. Therefore, to ensure the appropriateness of CCHP's allocation of the risk adjustment transfers across the entire portfolio of plans in the risk pool, we developed premiums at the market level risk score, as opposed to developing them at CCHP's expected morbidity level. The difference between the market average risk pool and CCHP's expected morbidity is our estimate of what the risk adjustment transfer payments will be. This approach ensures that the impact is allocated proportionately based on plan premiums for all plans within a risk pool.

The following section outlines our approach for estimating the impact of risk adjustment for these products.

Project Statewide Risk Scores for Use in the Risk Adjustment Transfer Payment

We projected statewide risk scores (to estimate CCHP's risk adjustment transfer payment) by inferring the health status of the projected insured population by cohort using the self-reported health status field in the CPS data. We inferred a reasonable relative health status factor for each self-reported health status category based on the proportion of members within each self-reported health status category as well as risk scores generated for a large population dataset using MARA. We adjusted these inferred relative health status factors for age/gender claim cost factors from the HCGs to produce final statewide average risk scores for each population cohort.

Project CCHP's Risk Scores for Use in the Risk Adjustment Transfer Payment

We projected CCHP's risk scores (to estimate CCHP's risk adjustment transfer payment) by adjusting the statewide average risk scores by cohort for expected selection and coding intensity differences between CCHP and the overall Colorado market. Selection refers to the health status difference between a given carrier and the overall market due to member plan selection. Coding intensity refers to a differing frequency and accuracy with which diagnosis codes are captured in claims data impacting the calculated risk score of the population. We did not model the impact of selection between the metal plans (even though we expect it to occur) since carriers are not allowed to rate for selection between the metal tiers.

Estimate 2014 Statewide Average Claims for the Risk Adjustment Transfer Payments

In the CMS risk adjuster transfer formula, the average premium in the state is the basis for calculating transfer payments. We estimated statewide claim costs (to estimate the statewide premium in CCHP's risk adjustment transfer payment) by applying steps 1-6 above to estimate the per member per month (PMPM) claim costs for platinum, gold, silver, and bronze plans that would be sold throughout the state. CCHP is not selling platinum products, but we did assume some percentage of take-up of those plans in the marketplace as a whole.

Estimate CCHP's Risk Adjustment Transfer Payment

We estimated CCHP's risk adjustment transfer payment using the CMS formula, which includes the statewide average premium, induced demand factor, geographical cost factor, CCHP's risk score by plan, the plan's actuarial value, and allowable rating factors. The key determinant of whether CCHP receives or makes a transfer payment is how CCHP's risk score (normalized across all carriers) compares to the product of the actuarial value and allowable rating factors (normalized across all carriers).

We estimated the statewide average premium by adding CCHP's expenses to the statewide average claim costs described above. Next, we normalized CCHP's risk score to the statewide average risk score and removed the portion of CCHP's risk score that can be accounted for through age rating factors, leaving an "uncompensated risk" factor. We then multiplied the "uncompensated risk" factor by the state average premium PMPM to estimate the net risk adjustment PMPM received (or paid) by CCHP.

STEP 8: ESTIMATE IMPACT OF TRANSITIONAL REINSURANCE

We estimated additional costs due to the Federal transitional reinsurance program. We assumed an assessment of $5.25 PMPM in reinsurance contributions. Since there are no transitional reinsurance transfers in the small group market, we then assumed no other payments or recoveries as part of the transitional reinsurance market.

STEP 9: CALCULATE INDEX RATE AND PLAN-SPECIFIC ADJUSTMENTS

After estimating claim costs for both products (steps 1-6) and expected receipts under the risk adjuster program (step 7) and transitional reinsurance program (step 8), we applied the retention loads discussed in Section H of this memorandum. This results in an aggregate PMPM required premium. We then project the average of all allowable rating factors (age and plan type). The ratio of required premium to average

allowable rating factor is the index rate, as shown in Table 2. Further detail on these line items can be found following Table 2.

Table 2 – Development of required premium	
A. Expected claims, net of risk adjuster	$268.09
B. Transitional reinsurance expense, net of recoveries	$5.25
C. Other administrative expenses	$69.55
D. Provision for profit and contingencies	$10.60
E. Total required premium (= A + B + C + D)	$353.49
F. Average of allowable rating factors (age, plan type)	1.2802
G. Index rate (= E/F)	**$276.12**

The amounts for administrative expenses and provision for profit and contingencies shown in Table 2 ($69.55 and $10.60) are the result of applying the retention percentages shown in Section H above.

The average allowable rating factor (1.2802) shown in Table 2 is the result of the following formula:

$$\overline{\text{ARF}} = \frac{\sum_{i=1}^{n}[\text{age}_i * \text{plan}_i * \text{area}_i * \text{tobacco}_i]}{n}$$

Where:

$$\overline{\text{ARF}} = \text{Average allowable rating factor}$$

$$\text{age}_i = \text{Age factor for person i}$$

$$\text{plan}_i = \text{Plan type factor for person i}$$

$$\text{area}_i = \text{Rating factor for person i}$$

$$\text{tobaco}_i = \text{Tobacco usage factor for person i}$$

$$\text{n} = \text{Total projected enrollment}$$

The age factors are shown in Addendum A, and are the ones required by the federal regulations. The plan factors are provided in Table 3.

Table 3 – Plan factors	
Factor	**Value**
GoldChoice 1500/20	1.1596
GoldChoice 1000/20	1.1766
GoldChoice 500/30	1.1768
SilverChoice 1500/50	1.0000
SilverChoice 2000/40	1.0055

Table 3 – Plan factors	
Factor	**Value**
SilverChoice HSA 1500/30	0.9833
SilverChoice 2000/50	0.9633
CommunityChoice 70	0.9384
CommunityChoice 80	0.9671
BronzeChoice 3000/50	0.8168
BronzeChoice HSA 3000/50	0.8059
BronzeChoice 5000/50	0.8000

We selected SilverChoice 1500/50 as the reference point (1.0000) and estimated the remaining plans in reference to the silver. There are no differences between the plans attributable to the factor listed in 45 CFR §156.80(d)(2)(iii). The impact of network is specific to the two silver plans that will be offered only outside of Connect for Health Colorado. These plans have a second, in-network tier in which providers offer a better discount to CCHP.

The impact of each plan's actuarial value and cost sharing includes the expected impact of each plan's cost-sharing amounts on the member's utilization of services, excluding expected differences in the morbidity of the members assumed to select the plan. We used the HCGs to estimate the value of cost-sharing and relative utilization of services for each plan. Our pricing models assume the same demographic and risk characteristics for each plan priced, thereby excluding expected differences in the morbidity of members assumed to select the plan. (Under the single risk pool requirements of 45 CFR §156.80, differences in health status may not be used to make plan-level adjustments to the market-wide index rate.)

L. Trend

This section is labeled Section J in the May 7 guidance. The historical experience data required by Regulation 4-2-11, Section 6L, are not available for this filing because these are new products.

As described in Section K above, the rates for these products were developed based on the 2012 HCGs. In order to produce claim costs on a 2014 basis, it was necessary to trend the claim cost projections by two years. The following medical trend assumptions were used:

Table 4 – Annual Trend assumptions			
Component	**Utilization Trend (Annual)**	**Unit Cost Trend (Annual)**	**Total (Annual)**
Inpatient facility	0.0%	7.0%	7.0%
Outpatient facility	2.0%	7.5%	9.7%
Professional	1.5%	6.0%	7.6%

Table 4 – Annual Trend assumptions			
Component	**Utilization Trend (Annual)**	**Unit Cost Trend (Annual)**	**Total (Annual)**
Prescription drugs	2.3%	5.8%	8.1%
Other	1.5%	6.0%	7.6%
All Benefits			**8.1%**

These trend rates represent reasonable estimates of trend based on values observed in proprietary data used by Milliman in developing the HCGs. These are medical trend rates; of the sources of insurance trend listed in Regulation 4-2-11, Section L5(b), only deductible leveraging is relevant for these products. Rather than apply an adjustment to the medical trend rates to account for deductible leveraging, the impact of the deductible on paid claims is directly modeled by using allowed claim levels (trended to 2014 at the rates in Table 4) in claim probability distributions also trended to 2014 levels.

M. Credibility Considerations

This section is labeled Section K in the May 7 guidance.

This rate filing relies on data underlying the HCGs, as discussed above in Section K. The data include more than 2,000 life-years, and are therefore fully credible under Colorado Regulation 4-2-11, Section 6M.

N. Data Requirements

This section is labeled Section L in the May 7 guidance.

CCHP's existing lines of business are significantly different from these products that the experience is not applicable. These rates have been developed using experience underlying the HCGs, as discussed in Section K above, and consistent with guidance in Actuarial Standard of Practice No. 8 regarding health rate filings for new plans or benefits.

O. Side-by-Side Comparisons

This section is labeled Section M in the May 7 guidance.

A side-by-side comparison of current and proposed rates is not applicable, because this is an initial rate filing for new products.

Section Q below contains a list of all rating factors used. The plan design factors were developed according to the requirements of 45 CFR §156.80(d)(2). Of the permitted plan-level variations, the variation among plans is mostly due to actuarial value and cost sharing differences. Actuarial value and cost sharing differences were measured by using the HCGs to estimate the paid-to-allowed ratio and allowed claim costs for a population with standard demographics in both plan designs. By using a standard population (rather than the demographics of the projected CCHP population), we ensure that selection and health status do not affect the calculation of this factor. The two CommunityChoice plans also have a two-tiered network, which has been accounted for.

CCHP has elected to employ a tobacco factor of 1.15 for all age groups.

CCHP's products are licensed in six rating areas within the state. Area factors are shown in Section Q of this memorandum. We have used eleven rating areas consistent with the recent revisions to the Colorado Geographic Rating Areas. This is not consistent with prior rating areas established in Regulation 4-6-7.

The age factors shown in Addendum A are mandated by federal regulation (see 45 CFR §147.102).

P. Benefits Ratio Projections

This section is labeled Section N in the May 7 guidance.

The following table shows projected premium, claims, and benefits ratio for 2014. Because this is a new product, the requirement in Regulation 4-2-11 to provide this information without the rate filing is not applicable. Note that the values in this table are based on the definition of "benefits ratio" in Regulation 4-2-11. The federal MLR definition is different.

Table 5 – Benefits ratio projection	
Component	**Value**
Projected premium, PMPM	$353.49
Projected claims, net of risk adjustment receipts, PMPM	$268.09
Projected benefits ratio	75.84%

Q. Other Factors Used

This section is labeled Section O in the May 7 guidance.

The following table contains a summary of the rating factors used for these products. These are all multiplicative adjustments to the market-wide index rate of $276.12.

When family coverage is purchased, each family member will be rated separately, and the sum of the individual premiums will equal the family premium, with the constraint that no more than three members under the age of 21 will contribute to the family premium.

Rating areas are those released by the Division of Insurance on March 27, 2013. CCHP will sell these products only in areas consistent with its DOI-approved service area. Rating factors have provided for all areas, regardless of CCHP's licensure in these areas.

Table 6 – Rating factors	
Factor	**Value**
GoldChoice 1500/20	1.1596
GoldChoice 1000/20	1.1766
GoldChoice 500/30	1.1768
SilverChoice 1500/50	1.0000
SilverChoice 2000/40	1.0055
SilverChoice HSA 1500/30	0.9833
SilverChoice 2000/50	0.9633
CommunityChoice 70	0.9384
CommunityChoice 80	0.9671
BronzeChoice 3000/50	0.8168
BronzeChoice HSA 3000/50	0.8059

Table 6 – Rating factors	
Factor	**Value**
BronzeChoice 5000/50	0.8000
Tobacco surcharge	1.1500
Rating Area 1	0.9300
Rating Area 2	0.8700
Rating Area 3	0.9700
Rating Area 4	1.1800
Rating Area 5	1.1500
Rating Area 6	1.2000
Rating Area 7	0.9800
Rating Area 8	1.0000
Rating Area 9	1.1800
Rating Area 10	1.0500
Rating Area 11	1.7500
Quarter 1 Trend Factor	1.0000
Quarter 2 Trend Factor	1.0182
Quarter 3 Trend Factor	1.0368
Quarter 4 Trend Factor	1.0557
Age	See Addendum A

R. Rating Manuals and Underwriting Guidelines

This section is labeled Section P in the May 7 guidance.

There are no underwriting guidelines applicable to these products. Section K provides a complete description of how rates are developed and how they vary from one applicant to another. The “rate manual” is attached in SERFF, and contains the same information shown in Section Q above.

Mary van der Heijde, FSA, MAAA
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May 14, 2013

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Addendum A

AGE FACTORS

Under 45 CFR §147.102, all carriers in each state must use a standardized set of age factors. There is a federal default which is to be used in states (such as Colorado) that do not set their own factors. The following are the age factors that will be used as multiplicative adjustments to the market-wide index rate.

Table A.1 – Age Factors

Age	Factor	Age	Factor
0-20	0.635	43	1.357
21	1.000	44	1.397
22	1.000	45	1.444
23	1.000	46	1.500
24	1.000	47	1.563
25	1.004	48	1.635
26	1.024	49	1.706
27	1.048	50	1.786
28	1.087	51	1.865
29	1.119	52	1.952
30	1.135	53	2.040
31	1.159	54	2.135
32	1.183	55	2.230
33	1.198	56	2.333
34	1.214	57	2.437
35	1.222	58	2.548
36	1.230	59	2.603
37	1.238	60	2.714
38	1.246	61	2.810
39	1.262	62	2.873
40	1.278	63	2.952
41	1.302	64+	3.000
42	1.325		

Colorado Choice Health Plans
Small Group Comprehensive Medical Business
Rate Filing Justification
Part III - Actuarial Memorandum and Certification

I. General Information

Company Identifying Information

Company Legal Name:	Colorado Choice Health Plans
State:	Colorado
HIOS Issuer ID:	63312
Market:	Small Group
Effective Date:	January 1, 2014

Company Contact Information

Primary Contact Name:	Cynthia Palmer
Primary Contact Telephone Number:	(719) 589-3696
Primary Contact Email-Address:	cpalmer@cochoice.com

II. Proposed Rate Increase(s)

This submission is for new products available for sale January 1, 2014. Colorado Choice Health Plans (CCHP) currently offers products in the small group market. However, all non-grandfathered products included in the single risk pool historical experience will be closed for sale effective December 31, 2013. Because these filed products are new products, there are no proposed rate increases as there were no prior products against which to compare these rates.

Premium rates for the new products were developed based upon historical experience for group comprehensive medical business sold by CCHP, in conjunction with internal research proprietary to Milliman. Because of the changes in the population make-up of the small group market that are expected at 2014, and the depth and breadth of ACA-mandated benefit changes, we did not use historical experience to project future claim costs. Instead, Milliman *Health Cost Guidelines*™ cost and utilization information was used in the development of these rates. Considerations for premium rate development include:

- Proposed benefit plan designs for new products;
- Anticipated medical trend, both utilization and cost of services;

- Anticipated changes in the average morbidity of CCHP's market given underwriting, rating, and benefit requirements effective January 1, 2014 under the Patient Protection and Affordable Care Act (ACA);
- Applicable taxes and fees, including those that are applicable in 2014 under the ACA; and
- Anticipated contributions to the Federal Transitional Reinsurance Program.

Each of these factors is discussed in more detail later in this memorandum.

III. Experience Period Premium and Claims

Claims Paid Through Date

Incurred claims illustrated in Worksheet 1, Section I of the Unified Rate Review Template (URRT) for the experience period of January 1, 2012 – December 31, 2012 are based on claims paid through December 31, 2012. These claims are based upon CCHP's experience for non-grandfathered, small group market business.

Premiums (net of MLR Rebate) in Experience Period

Earned premiums illustrated in Worksheet 1, Section I of the URRT are calculated by calculating the premiums earned during the experience period. The premiums were calculated using projected paid dollars for claims incurred in 2012, inclusive of incurred but not paid claims, and applying a medical loss ratio consistent with CCHP's experience. CCHP has projected a required MLR rebate of $130,000 for 2012, to be paid during 2013. Due to its small membership, CCHP has seen significant year-to-year variation in claims, resulting in loss ratio variation that has triggered payment of MLR rebates.

Allowed and Incurred Claims Incurred During the Experience Period

Table 1 provides a breakdown of the allowed and incurred claims during the experience period, as illustrated in Worksheet 1, Section I of the URRT.

Table 1
Summary of Allowed and Incurred Claims

Item	Allowed Claims	Incurred Claims
Processed Fee for Service Claims	$5,672,064	$3,939,174
Incurred but Not Paid Claims	$1,055,670	$695,060
Total	$6,727,734	$4,634,234

Allowed charges are summarized from CCHP's detailed, claim-level historical data. Incurred But Not Paid (IBNP) adjustments were applied to develop a fully incurred allowed claim estimate.

IBNP claims are calculated using the methodology hereafter described. We used the development approach to develop IBNP claim liability estimates for both reported and unreported claims. Our methodology uses historical experience from the group block of business to identify claim run-out patterns. Using the most recent three years of data, we separately calculated average historical completion factors for hospital (facility), medical, and prescription drug claims, and have applied these to data from the experience period. We applied the same IBNP completion factors to both the paid and allowed claims.

Incurred claims were calculated according to the following formula:

$$Incurred\ Claims = Paid\ Claims * Completion\ Factor$$

Both allowed and paid claims reflect the applicable values from CCHP's historical data for claims received and paid during the experience period.

IV. Benefit Categories

Each claim processed on a fee for service basis is assigned to the applicable benefit category from Worksheet 1, Section II of the URRT based on the service location of the claim. Hospital claims are segregated from other claims in historical CCHP data. We used the place of service identifier in the data to segregate inpatient hospital and outpatient hospital claims. Prescription drugs are identified separately in historical CCHP data. Utilization descriptions (i.e., admits, services, etc.) as input in Worksheet 1, Section II of the URRT are assigned based on corresponding service count fields available in the historical data.

V. Projection Factors

Although CCHP has developed claim experience in Section I and Section II of the URRT, that experience is not a credible basis for the development of these rates for the following reasons:

- CCHP small group population is not representative of the statewide small group population
- The impact of ACA-mandated benefit changes
- Product designs that differ substantially from current products offerings:
    - The elimination of plan designs with deductible riders
    - The elimination of plan designs with Rx riders
- Potential changes in the geographic mix of the future block of business

Therefore, the experience provided in the URRT is not what directly forms the basis for the premium development. We used the Milliman *Health Cost Guidelines* with adjustments as the basis for these rates.

The HCGs have been developed as a result of Milliman's continuing research into commercial health care costs. First developed in 1954, the HCGs have been updated and expanded annually since that time. The HCGs are continually monitored as we use them in measuring the experience or evaluating the rates of our clients, and as we compare them to other data sources. The detailed claims and enrollment data underlying the guidelines represent over 54 million commercially insured lives.

The HCGs provide a flexible but consistent basis for the determination of claim costs for a wide variety of health benefit plans. These rating structures are used to anticipate future claim levels, evaluate past experience and establish interrelationships between different health coverages.

The HCGs are a cooperative effort of all Milliman health actuaries and represent a combination of their experience, research and judgment. An extensive amount of data is used in developing these guidelines, including published and unpublished data. In most instances, cost assumptions are based upon our evaluation of several data sources and, hence, are not specifically attributable to a single source. Since these guidelines are a proprietary document of Milliman, they are only available for release to specific clients that lease these guidelines and to Milliman consulting health actuaries.

All adjustments and assumptions used in the HCGs stem from national claims and enrollment data by age, gender, and type of benefit. The primary use for these HCGs is to determine relative differences in expected claim costs between product types, benefit plans, medical management initiatives, negotiated provider reimbursement arrangements, age, gender, and area of the country. In particular, we adjusted these estimates to be on a Colorado-specific unit cost and utilization basis.

This section describes the projection factors we used with the HCGs to develop the credibility manual rates for the projection period.

Projections and Adjustments Made to the Data

Because the process for projecting and adjusting the data used to estimate the claim costs for these products involved a number of steps that are interrelated, the entire process is described here and will be used for reference throughout this document.

Claim costs for proposed plans were developed using the Milliman HCGs, with adjustments to reflect the relative value of CCHP's small group experience compared to the Milliman HCGs. Additional adjustments were made to reflect anticipated changes in the average morbidity of the underlying experience given underwriting, rating, and benefit requirements effective January 1, 2014, under ACA.

We followed the steps below to adjust the Milliman *Health Cost Guidelines* claim experience to be on an appropriate basis for premiums for CCHP.

Step 1: Project Total Colorado Market Members and Health Status by Population Cohort

We expect significant shifts in the insured population when the health insurance Exchange opens in 2014. We projected Colorado statewide population demographics and health status to help determine CCHP's share of the market.

The statewide market projections are based on the estimated population at the end of 2013, stratified by current insurance status, poverty status (income relative to FPL), health status, and family size. The Current Population Survey (CPS) from the U.S. Census provides state-level data for each of these strata. We adjusted the raw CPS data after reviewing the following additional data sources:

- Carriers' annual statutory financial filings provided to the NAIC. The filings contain reliable sizes of the individual and fully insured group markets.

- The Medicaid Statistical Information System (MSIS) (available through the Department of Health and Human Services), which provides reliable data on Medicaid enrollment in Colorado.

We trended the entire population from 2011 to 2014 based on projected population growth rates. We then estimated the proportion of the population that will purchase coverage on the individual and SHOP Exchanges (i.e., "take up" rates). The Exchange take-up rate assumptions are primarily driven by a person's current insurance status (i.e., insured or uninsured) and the federal subsidy available (if any) if the member enrolls in an individual Exchange plan.

We then applied employer-sponsored insurance transition rates, small group, and individual / uninsured Exchange take-up rates to estimate the population counts in each market (stratified by income-to-poverty ratio, health status, and family size).

For CCHP's products, the result is a 2014 statewide population projection by cohort (i.e., age, gender, income, and Exchange status). Finally, we applied a smoothing algorithm to compensate for potential credibility issues.

Step 2: Project CCHP Enrollment by Market, Exchange Status, and Product

We projected CCHP's expected 2014 small group product enrollment on and off the Connect for Health Colorado exchange based on our estimate of the statewide population and CCHP's likely share of the total based on our assumed price relativity and appeal. We estimated the members that would select each of CCHP's benefit plans based on the expected appeal of the plan options and assumed 8% of these

members are tobacco users. We also assumed that all 2014 members are enrolled for the entire year.

Step 3: Claim Cost Projection

The basis used to develop rates for these new products is the 2012 Milliman *Health Cost Guidelines*. The HCGs have been developed as a result of Milliman's continuing research into commercial health care costs. First developed in 1954, the HCGs have been updated and expanded annually since that time. The HCGs are continually monitored as we use them in measuring the experience or evaluating the rates of our clients, and as we compare them to other data sources. The detailed claims and enrollment data underlying the guidelines represent over 54 million commercially insured lives.

All adjustments and assumptions used in the HCGs stem from national claims and enrollment data by age, gender, and type of benefit. The primary use for these HCGs is to determine relative differences in expected claim costs between product types, benefit plans, medical management initiatives, negotiated provider reimbursement arrangements, age, gender, and area of the country. In particular, we adjusted these estimates to be on a Colorado-specific unit cost and utilization basis.

Step 4: Adjustment for Changes in Morbidity

The data in the *Guidelines* is for a large group population. We believe this is a more appropriate basis for the development of future small group premium rates because large group experience includes a breadth of covered benefits consistent with those in the Essential Health Benefits (EHBs). The *Guidelines* are based on the 2012 large group population. We project that the 2014 small group market population will have a population profile that is similar to the current large group market, so believe these claim cost projections are a good basis for projecting future experience in the small group market. Based upon the population projection as outlined in Step 1 above, we adjusted the large group claims to represent our estimate of the market average demographics and morbidity of the 2014 small group market.

As mentioned previously, through our population modeling we developed an estimate that the 2014 small group market will have a 1.4% lower morbidity than the current large group market, and so applied this adjustment factor to decrease the claim costs.

Changes in the Morbidity of the Population Insured

We anticipate minor changes in the average morbidity of this market in 2014 due to ACA provisions effective in January 2014. Please see Step 4 in the "Projections and Adjustments Made to the Data" section above for a description of the development of the adjustment factor.

The projection factor of "Pop'l risk Morbidity" shown in Worksheet 1, Section II reflects the impact of the shift in mix over time. This projection factor was calculated based on our projection from the current credibility manual experience to the 2014 small group market morbidity. Note that this factor does not include the impact of changes in demographics to ensure that demographic shift is not counted twice.

Changes in Benefits

The underlying utilization and charge levels assumed in the 2012 Milliman *Health Cost Guidelines* baseline data are typical of a comprehensive major medical plan with a $500 deductible, 80% coinsurance, and a $2,000 out of pocket maximum. Adjustments were then made to reflect changes in utilization levels associated with different covered benefits (benefit limits and cost sharing). These adjustments have been created by studying the historical impact of different contractual limitations and cost sharing on utilization experience by the covered population.

The adjustments we used to develop utilization rates consistent with these products are as follows:

- Adjusted for the difference between the current large group and future (2014) small group market average risk status. This analysis involved a study of morbidity levels and relied on CPS data. The analysis is described in Step 4 of the following section.
- Adjusted for differences in benefit designs (e.g., metallic levels).
- Adjusted for changes from mandated benefits (e.g., EHBs)

Changes in Demographics

We expect minimal shifts in the insured population within the small group market when the health insurance Exchange opens in 2014. We projected Colorado statewide population demographics and health status to help determine CCHP's share of the market. Because we are using the HCGs as the basis of these premiums, we adjusted those data to be on a basis consistent with our projections of the demographics in 2014. Please see Step 1 in the "Projections and Adjustments Made to the Data" section above for more details for these adjustments.

Other Adjustments

Because we are using the HCGs as the basis for these premiums, there are additional adjustments necessary to put the claim experience on a consistent basis with these products. Please see Steps 1-4 in the "Projections and Adjustments Made to the Data" section for more details surrounding additional adjustments we made.

Annualized Trend Factors

The utilization and cost trend factors shown in Worksheet 1, Section II are reflective of an aggregate allowed charge trend of 8.1%. This aggregate value was developed based on the Milliman *Health Cost Guidelines* and general industry knowledge regarding recent trends in medical inflation.

Separate factors for utilization and cost were developed based on relative values from the Milliman *Health Cost Guidelines*. These factors result in an aggregate value of 8.1%.

These trend assumptions are based on the utilization and cost per service trends developed from claims data for the *Guidelines*. We have reviewed these trend assumptions and believe they are reasonable for this purpose. The trend assumptions above do not include the impact of changes in demographics, benefit design, or morbidity since those are captured elsewhere in the development of the index rate.

VI. Credibility Manual Rate Development

Although CCHP has small group market experience from prior products, for the reasons previously described in this memorandum, this experience is not credible for purpose of rate development. As such, a credibility manual rate was developed.

Source and Appropriateness of Experience Data Used

The base experience for the proposed plans was composed of claim costs developed using the Milliman *Health Cost Guidelines*, chosen to reflect the demographic and unit cost differences specific to Colorado, as well as CCHP's plan benefit designs. Additional adjustments were made to reflect anticipated changes in the average morbidity of the underlying experience given underwriting, rating, and benefit requirements effective January 1, 2014, under ACA. The *Health Cost Guidelines* are described in section 5 Projection Factors.

Adjustments Made to the Data

Adjustments made to the *Health Cost Guidelines* to create estimated claim costs for these products are described in detail in section "Projections and Adjustments Made to the Data" above.

Inclusion of Capitation Payments

The HCGs are based on nationwide claim experience, which include a complete picture for incurred and allowed dollars. These data include relevant capitation payments as part of the underlying claim experience. We anticipate that none of CCHP's medical (non-pharmacy) costs will be subject to a capitation arrangement.

VII. Credibility of Experience

Although CCHP has small group market experience from prior products, for the reasons previously described in this memorandum, this experience is not credible for purpose of rate development. As such, a credibility manual rate was developed.. As mentioned previously we used the Milliman *Health Cost Guidelines* with adjustments as the basis for the Credibility Manual rates and have given them 100% credibility weight.

VIII. Paid to Allowed Ratio

The Paid to Allowed ratio shown in Worksheet 1, Section II of the URRT was developed as our best estimate of the impact on cost sharing. We developed allowed claim costs, and used the Milliman HCGs to develop the expected portion of claims that are covered by the plan versus the member to develop the paid to allowed ratio. The paid to allowed ratio was developed as follows:

$$\frac{Weighted\ Average\ Paid\ Claim\ PMPM\ estimate}{Weighted\ Average\ Allowed\ Claim\ PMPM\ Estimate}$$

IX. Risk Adjustment and Reinsurance

Projected Risk Adjustments PMPM

CCHP recognizes that to operate within a single risk pool, issuers are required to make a market-wide adjustment to the pooled market level index rate to account for federal risk adjustment Therefore, CCHP must allocate anticipated risk adjustment revenue proportionately across all plans in the risk pool based on plan premiums by applying the risk adjustment transfer as a constant multiplicative factor across all plans. We have developed an estimate of the risk adjustment revenue for all of CCHP's plans in this risk pool.

Since differences between CCHP's 2014 expected population mix and the market level risk will be accounted for through risk adjustment transfer payments, the impact of those transfer payments must not be included in the index rates. Essentially, the index rates are priced at a market average risk profile, and the extent to which CCHP's actual block of business differs from the market will be accounted for through these transfers rather than in the form of higher or lower premium. Therefore, to ensure the appropriateness of CCHP's allocation of the risk adjustment transfers across the entire portfolio of plans in the risk pool, we developed premiums at the market level risk score, as opposed to developing them at CCHP's expected morbidity level. The difference between the market average risk pool and CCHP's expected morbidity is our estimate of what the

transfer payments will be. This approach ensures that the impact is allocated proportionately based on plan premiums for all plans within a risk pool.

The following section outlines our approach for estimating the impact of risk adjustment for these products.

Project Statewide Risk Scores for Use in the Risk Adjustment Transfer Payment

We projected statewide risk scores (to estimate CCHP's risk adjustment transfer payment) by inferring the health status of the projected insured population by cohort using the self-reported health status field in the CPS data. We inferred a reasonable relative health status factor for each self-reported health status category based on the proportion of members within each self-reported health status category as well as risk scores generated for a large population dataset using the Milliman Advanced Risk Adjuster (MARA). We adjusted these inferred relative health status factors for age / gender claim cost factors from Milliman's *Health Cost Guidelines* to produce final statewide average risk scores for each population cohort.

Project CCHP's Risk Scores for Use in the Risk Adjustment Transfer Payment

We projected CCHP's risk scores (to estimate CCHP's risk adjustment transfer payment) by adjusting the statewide average risk scores by cohort for expected selection and coding intensity differences between CCHP and the overall Colorado market. Selection refers to the health status difference between a given carrier and the overall market due to member plan selection. Coding intensity refers to a differing frequency and accuracy with which diagnosis codes are captured in claims data impacting the calculated risk score of the population. We did not model the impact of selection between the metal plans (even though we expect it to occur) since carriers are not allowed to rate for selection between the metal tiers.

Estimate 2014 Statewide Average Claims for the Risk Adjustment Transfer Payments

We estimated statewide claim costs (to estimate the statewide premium in CCHP's risk adjustment transfer payment) by applying the steps above to estimate the PMPM claim costs for platinum, gold, silver, and bronze plans that would be sold throughout the state. CCHP is not selling platinum products, but we did assume some percentage of take-up of those plans in the marketplace as a whole.

Estimate CCHP's Risk Adjustment Transfer Payment

We estimated CCHP's risk adjustment transfer payment using the CMS formula, which includes the statewide average premium, induced demand factor, geographical cost factor, CCHP's risk score by plan, the plan's actuarial value, and allowable rating factors. The key determinant of whether CCHP receives or makes a transfer payment is how CCHP's risk score (normalized across all carriers) compares to the product of the actuarial value and allowable rating factors (normalized across all carriers).

We estimated the statewide average premium by adding CCHP's expenses to the statewide average claim costs described above. Next, we normalized CCHP's risk score to the statewide average risk score and removed the portion of CCHP's risk score that can be accounted for through age rating factors, leaving an "uncompensated risk" factor. We then multiplied the "uncompensated risk" factor by the state average premium PMPM to estimate the net risk adjustment PMPM received (or paid) by CCHP.

Projected ACA Reinsurance Recoveries Net of Reinsurance

Carriers pay contributions for the ACA reinsurance program, estimated to be $5.25 PMPM in 2014. Consistent with the Part III Actuarial Memorandum instructions, which state that this line item must be reported net of reinsurance contributions, we have included this payment on Worksheet 1, Section II of the URRT.

X. Non-Benefit Expenses and Profit & Risk

Administrative Expense Load

Administrative expenses were developed on a PMPM basis using CCHP's projections for costs of operating its business in 2014, including the impact of general expense inflation. The value entered in Worksheet 1, Section II of the URRT illustrates this value as a percent of the index rate.

Profit & Risk Load

Profit and Risk Load target values were determined as an aggregate value for the single-risk pool based on company targets and consideration for federal MLR requirements. The value entered in Worksheet 1, Section II of the URRT illustrates this value as a percent of the index rate.

Taxes and Fees

The table below provides a breakdown of projected taxes and fees illustrated in Worksheet 1, Section III of the URRT.

Projected Taxes and Fees			
Item	**% Prem**	**PMPM**	**% of Index Rate**
Premium Tax	0.00%	$0.00	0.00%
Health Insurer Fee	0.00%	$0.00	0.00%
Comparative Effectiveness Research	0.05%	$0.17	0.06%
Risk Adjustment Admin Fee	0.02%	$0.08	0.03%
Exchange User Fee	0.12%	$0.44	0.16%
Total	**0.20%**	**$0.69**	**0.25%**

XI. Projected Loss Ratio

The projected loss ratio based on the federally prescribed MLR methodology is 79.0 percent. The numerator of the projected MLR contains projected claim costs and quality improvement expenses, net of receipts from the risk adjuster, reinsurance, and risk corridors programs. The denominator consists of total premiums, net of premium taxes and regulatory fees. A credibility adjustment is then applied to account for the small size of CCHP's projected enrollment. The following demonstrates our projection of CCHP's MLR, using the federal definition but not including any credibility adjustment (which could only increase the MLR):

$$79.0\% = \frac{\$261.58\ claims + \$5.23\ QI\ expense + \$6.50\ risk\ adjuster + \$5.25\ reinsurance}{\$353.49\ premium - \$0.69\ taxes\ \&\ fees}$$

We recognize that this projection puts our MLR below the allowed 80 percent. As our insured block of business grows, we anticipate being able to spread our fixed administrative costs over a larger insured population, and thus reducing the MLR applicable to this line of business. Specifically, we expect future growth in the number of self-funded lives, and will be able to allocate some of these fixed costs to that population.

Additionally, due to the small size of our population, we anticipate that a credibility adjustment will, indeed, apply to our population.

If our realized MLR is below the 80 percent threshold, we will comply with Section 2718 of the PHSA through the issuance of rebates to our members.

XII. Index Rate

For reasons previously discussed, we determined not to use prior claim experience to use to develop an experience period index rate. We used a credibility manual approach, in which the base claims did not include cost for items which are not EHBs, and therefore did not need to be adjusted for the removal of non-EHBs.

The projected index rate includes the projected claim level for the projection period, including all adjustments for trend, benefit and demographic differences. It reflects the experience for all of the products we are developing since they are within a single risk pool. The projected index rate shown in Worksheet 1, Section II of the URRT was developed as follows:

Projected Allowed Claims PMPM x % of Allowed Claims Attributable to EHB

Projected allowed claims are those after credibility adjustments, but before any adjustment for risk adjuster or reinsurance payments and/or recoveries.

Development of Plan Level Rates

Plan level rates are developed based on the following approach:

Adjusted Index Rate =
- Index Rate
- +/- Risk Adjustment Payment
- +/- Reinsurance Recoveries net of Fees
- + User Exchange Fees

Plan Level Rate =
- Adjusted Index Rate
- x Plan actuarial value and cost sharing value factor
- x Administrative costs, excluding user exchange fees

There is no impact due to differences in provider networks, delivery system characteristics, or utilization management practices. All plans use the same delivery system and utilization management practices. Two silver plans, CommunityChoice 70 and CommunityChoice 80 have a second in-network tier at higher member cost-sharing, in addition to the standard network for all other plans.

XIII. AV Metal Levels

The AV Metal Values included in Worksheet 2, Section I of the URRT were developed based on the CMS Actuarial Value calculator.

We did not employ an alternate methodology to develop the AV Metal Values.

XIV. AV Pricing Values

The fixed reference plan selected for purposes of developing AV Pricing Values is SilverChoice 1500/50.

Plan factors were derived based on the actuarial value of these products and the age/gender mix of the standard HCG population. The plan factors below do not incorporate differences in morbidity; overall morbidity is reflected in other rating factors and the index rate. Plan factors are presented in the table below:

Product	Rate Factor	URRT Pricing AV
GoldChoice 1000/20	1.1766	1.072
GoldChoice 1500/20	1.1596	1.059
GoldChoice 500/30	1.1768	1.070
SilverChoice 1500/50	1.0000	0.908
SilverChoice 2000/40	1.0055	0.916
SilverChoice HSA 1500/30	0.9833	0.885
SilverChoice 2000/50	0.9633	0.874
CommunityChoice 70	0.9384	0.857
CommunityChoice 80	0.9671	0.884
BronzeChoice 5000/50	0.8000	0.729
BronzeChoice 3000/50	0.8168	0.731
BronzeChoice HSA 3000/50	0.8059	0.721

Attachment A provides a summary of the AV pricing values by plan, as illustrated in Worksheet 2, Section I, and the portion of the value that is attributable to each of the allowable modifiers to the index rate, as described in 45 CFR Part 156, §156.80(d)(2).

The impact of each plan's actuarial value and cost sharing includes the expected impact of each plan's cost-sharing amounts on the member's utilization of services, excluding expected differences in the morbidity of the members assumed to select the plan. We used the Milliman *Health Cost Guidelines* to estimate the value of cost-sharing and relative utilization of services for each plan. Our pricing models assume the same demographic and risk characteristics for each plan priced, thereby excluding expected differences in the morbidity of members assumed to select the plan.

XV. Membership Projections

Membership projections, as illustrated in Worksheet 2, Section IV of the URRT were developed by applying an assumed market penetration for CCHP to the total market size estimated as described above in Section V. Our assumed market penetration rate varies by income level.

We assume that the suite of silver and bronze products will be significantly more attractive than the gold product, and have accordingly assumed that 10% of CCHP enrollees will select gold plans, 50% of enrollees will select silver plans, and 40% of enrollees will select bronze plans.

XVI. Terminated Products

All currently available non-grandfathered small group products will be terminated for new sales effective January 2014. These include the following policy forms as shown in the table below:

Product Name	**HIOS Product ID**
10100PA	63312CO012
10100PD	63312CO013
10250PA	63312CO014
15250PA	63312CO015
15500PA	63312CO016
15250PD	63312CO017
20500PA	63312CO018
25750PD	63312CO020
30300PA	63312CO021
Assoc HSA100	63312CO022
Comp10000	63312CO023
Comp10000/20	63312CO024
Comp1500	63312CO026
Comp1500/20	63312CO027
Comp100/20	63312CO028
Comp 2500	63312CO029
Comp 2500/20	63312CO030
C2K	63312CO031
Comp 50	63312CO033
Comp 5000/25	63312CO034
Comp 5000/20	63312CO035
Comp 50/20	63312CO036
Comp 5000	63312CO037
Chamber Choice 70, $500 ded	63312CO039
Chamber Choice 70, $1000 ded	63312CO040
Chamber Choice 70, $1500 ded	63312CO041

Product Name	HIOS Product ID
Canon Chamb PD80	63312CO042
Chamber Fit 10,000	63312CO046
Chamber Ch HSA $3000/$6000 ded	63312CO047
Chamber Ch HSA $5000/$10000 dd	63312CO048
Personal Choice 90	63312CO052
Chamb Total Healthy Choice 50	63312CO053
Basic	63312CO054
Basic w/ HSA	63312CO055
Standard	63312CO056
Chamber 12K, $2200 ded	63312CO057
Chamber 12K, $3500 ded	63312CO058

Currently available grandfathered small group products will remain in force.

XVII. Plan Type

The applicable plan type for each plan has been noted in Worksheet 2, Section I of the URRT.

XVIII. Warning Alerts

The following provides additional information regarding differences between the sum of the plan level experience and projections in Worksheet 2, Sections III and IV of the URRT and the total experience and projected amounts found on Worksheet 1 of the URRT:

1. A warning is found in cell A82. This appears to be due to a minor Excel precision error, as the actual difference between the two cells being tested is $3 out of $13,967,156

XIX. Reliance

In preparing the Part I Unified Rate Review Template (URRT) and Part III Actuarial Memorandum, I have relied on information provided to me by the management of CCHP. To the extent that it is incomplete or inaccurate, the contents of the URRT and Actuarial Memorandum may be materially affected.

XX. Actuarial Certification

I, Mary van der Heijde, am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. This filing is prepared on behalf of Colorado Choice Health Plans (the "Company").

I am affiliated with Milliman, Inc. ("Milliman"), an independent actuarial consulting firm that is not affiliated with, nor a subsidiary, nor in any way owned or controlled by a health plan, health insurer, or a trade association of health plans or insurers.

I hereby certify that the projected index rate is, to the best of my knowledge and understanding:

- In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1)),
- Developed in compliance with the applicable Actuarial Standards of Practice
- Reasonable in relation to the benefits provided and the population anticipated to be covered
- Neither excessive nor deficient

I certify that the index rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan specific premium rates. The allowable modifiers used to generate plan specific premium rates were based on the following:

- The actuarial value and cost-sharing design of the plan.
- The plan's provider network, delivery system characteristics, and utilization management practices.
- The benefits provided under the plan that are in addition to the Essential Health Benefits. These estimated benefits were pooled with similar benefits within the single risk pool and the claims experience from those benefits was utilized to determine rate variations.
- Administrative costs, excluding Exchange user fees.

I certify that the percent of total premium that represents Essential Health Benefits included in Worksheet 2, Sections III and IV were calculated in accordance with Actuarial Standards of Practice.

I certify that the benefits included in CCHP's plans are substantially equivalent to the Essential Health Benefits (EHBs) in the State of Colorado benchmark plans.

I certify that the AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I Unified Rate Review Template for all plans. The AV Metal Values included in Worksheet 2 of the Part I Unified Rate Review Template were based on the Federal AV Calculator.

The Part I Unified Rate Review Template (URRT) does not demonstrate the process used to develop proposed premium rates. It is representative of information required by Federal regulation to be provided in support of the review of rate increases, for certification of qualified health plans for Federally Facilitated Exchanges and for certification that the index rate is developed in accordance with Federal regulation and used consistently and only adjusted by the allowable modifiers.

Signed:

Mary van der Heijde, FSA, MAAA
Member, American Academy of Actuaries

Dated: May 14, 2013

Attachment A – AV Pricing Value Breakdown Summary

Plan	AV Pricing Value	Adjust 1 AV/Cost Share	Adjust 2 Network	Adjust 3 Other Benefits	Adjust 4 Admin Expense	Adjust 5 Catastrophic	Total
GoldChoice 1000/20	1.1766	80.3%	0%	0%	19.7%	0%	100%
GoldChoice 1500/20	1.1596	80.3%	0%	0%	19.7%	0%	100%
GoldChoice 500/30	1.1768	80.3%	0%	0%	19.7%	0%	100%
SilverChoice 1500/50	1.0000	80.3%	0%	0%	19.7%	0%	100%
SilverChoice 2000/40	1.0055	80.3%	0%	0%	19.7%	0%	100%
SilverChoice HSA 1500/30	0.9833	80.3%	0%	0%	19.7%	0%	100%
SilverChoice 2000/50	0.9633	80.3%	0%	0%	19.7%	0%	100%
CommunityChoice 70	0.9384	80.3%	0%	0%	19.7%	0%	100%
CommunityChoice 80	0.9671	80.3%	0%	0%	19.7%	0%	100%
BronzeChoice 5000/50	0.8000	80.3%	0%	0%	19.7%	0%	100%
BronzeChoice 3000/50	0.8168	80.3%	0%	0%	19.7%	0%	100%
BronzeChoice HSA 3000/50	0.8059	80.3%	0%	0%	19.7%	0%	100%

Colorado Choice Health Plans
d/b/a San Luis Valley HMO

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Alamosa, CO 81101
719-589-3696
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April 29, 2013

Mary van der Heijde, FSA, MAAA
Principal and Consulting Actuary
Milliman, Inc.
1400 Wewatta Street, Suite 300
Denver, CO 80202

Dear Mary:

Colorado Choice Health Plan ("Company") and Milliman, Inc. ("Milliman") have entered into a Consulting Services Agreement dated November 27, 2012 ("CSA") which includes rate filing services on Company's behalf. The CSA provides, in part, that Milliman is responsible for preparing and filing for approval with state insurance departments rate increases and form filings made by Company.

Please accept this letter as written confirmation that Milliman, pursuant to the terms and conditions of the CSA, has authority to submit form(s), rates, or certification(s) for Company through SERFF and HIOS during the 2013 year and to act on behalf of Company regarding such filings. Company may withdraw this authorization at any time, by giving written notice to Milliman.

Sincerely,

Cynthia Palmer

Cynthia Palmer
CEO

Colorado Choice – Individual Market Rate Filing
SERFF Tracking Number: MLCO-129028795
Response to Objection Letter Dated 05/20/2013

Objection 1:

Please correct the general information tab on the requested filing mode as file and use.

Response:

We have updated this field in SERFF

Objection 2:

Once a filing has been submitted, the Lead Form Number cannot be changed. For future filings, please ensure that the Lead Form Number field has been completed. For more information and guidance on how to update the form schedule tab, please contact the SERFF help desk.

Response:

Thank you for this information.

Objection 3:

Please provide (0%) on the rate rule schedule for overall changes, etc.

Response:

We have edited this information SERFF. It now says 0% in these cell (these are new products without any existing rates against which the proposed rates can be compared).

Objection 4:

- **Actuarial Memorandum and Certifications (Supporting Document)**

Comments:

Regulation 4-2-11 section 6 (E) Please indicate which of the following PPACA benefits your plan has implemented:

Eliminate Annual Dollar Limits on Essential Benefits, Section 2711 of the PHSA/Section 1001 of the PPACA

Eliminate Lifetime Dollar Limits on Essential Benefits, Section 2711 of the PHSA/Section 1001 of the PPACA

Eliminate Pre-existing Condition Exclusions for Enrollees Under Age 19, Section 2711 of the PHSA/Section 1201 of the PPACA

Prohibit Rescissions, Section 2712 of the PHSA/Section 1001 of PPACA

Preventive Services, Section 2713 of the PHSA/Section 1001 of the PPACA

Extends Dependent Coverage for Children Until age 26, Section 2714 of the PHSA/Section 1001 of the PPACA

Appeals Process, Section 2719 of the PHSA/Section 1001 of the PPACA

Emergency Services, Section 2719A of the PHSA/Section 10101 of the PPACA

Access to Pediatricians, Section 2719A of the PHSA/Section 10101 of the PPACA

Access to OB/GYNs, Section 2719A of the PHSA/Section 10101 of the PPACA

Response:

We have implemented each of the following PPACA benefits:

Table 1 – List of PPACA Benefits

PPACA Benefit	Implemented for 2014?
Eliminate Annual Dollar Limits on Essential Benefits, Section 2711 of the PHSA/Section 1001 of the PPACA	**Yes**
Eliminate Lifetime Dollar Limits on Essential Benefits, Section 2711 of the PHSA/Section 1001 of the PPACA	**Yes**
Eliminate Pre-existing Condition Exclusions for Enrollees Under Age 19, Section 2711 of the PHSA/Section 1201 of the PPACA	**Yes**
Prohibit Rescissions, Section 2712 of the PHSA/Section 1001 of PPACA	**Yes**
Preventive Services, Section 2713 of the PHSA/Section 1001 of the PPACA	**Yes**
Extends Dependent Coverage for Children Until age 26, Section 2714 of the PHSA/Section 1001 of the PPACA	**Yes**
Appeals Process, Section 2719 of the PHSA/Section 1001 of the PPACA	**Yes**
Emergency Services, Section 2719A of the PHSA/Section 10101 of the PPACA	**Yes**
Access to Pediatricians, Section 2719A of the PHSA/Section 10101 of the PPACA	**Yes**
Access to OB/GYNs, Section 2719A of the PHSA/Section 10101 of the PPACA	**Yes**

Objection 5:

- **Actuarial Memorandum and Certifications (Supporting Document)**

Comments:

Regulation 4-2-11 section 6 (P) please correct to be annual projections. The information on the view rate review detail for requested information for Projected premiums and claims should be the same.

Response:

Below is a tabular version of the data entered on the “requested rate” section in SERFF.

Benefits ratio projection	
Component	**Value**
Projected earned premium	$13,967,153
Projected incurred claims	$10,335,738
Projected benefits ratio	**74.00%**

Note that the rate review detail for projected incurred claims does not include risk adjuster payments, while the benefit ratio calculation in the actuarial memorandum, Section P, does incorporate risk adjuster payments as an addition to claims. This is the reason that the 74.00% ratio in the table above is not the same as the original table in Section P of the memorandum.

Objection 6:

- **Actuarial Memorandum and Certifications (Supporting Document)**

  Please explain why your annual financials for your retention components for General expenses, commissions are different

Response:

These are new products, and therefore, previous expense allocations are not appropriate. The small group products offered by Colorado Choice in the past are quite different from these products due to the large change in the market landscape and additional requirements and fees introduced by the PPACA. We have developed new projections for retention components that we believe are more appropriate.

Therefore, the retention components in our annual statements are not intended to be replicated for these future products.

Objection 7:

- **Actuarial Memorandum and Certifications (Supporting Document)**

  Comments:

  Regulation 4-2-11 section 6 (N) Data Requirements: The memorandum must, at a minimum, include earned premium, incurred claims, actual benefits ratio, number of claims, average covered lives and number of policyholders submitted on a Colorado-only basis for at least 3 years.

  If the filing is to introduce a new product to Colorado, nationwide experience must be provided for this product, if available. If no experience for the new product is available, experience for a comparable product must be provided, if available.

Response:

These are new products without any prior experience, consistent with our response in Section L of the actuarial memorandum. Section K of the actuarial memorandum provides a detailed description of the process by which the proposed rates were developed.

Colorado Choice – Individual Market Rate Filing
SERFF Tracking Number: MLCO-129028795
Response to Objection Letter Dated 06/04/2013

Objection 1:

objection 7 Regulation 4-2-11 section 6 (N) The experience needs to be provided on how the rates were developed. If the filing is to introduce a new product to Colorado, nationwide experience must be provided for this product, if available. If no experience for the new product is available, experience for a comparable product must be provided.

Response:

This section of regulation 4-2-11 specifies that experience be provided for the product in question, if available, or for a comparable product, if available. There is no experience available to provide for either the filed product or any comparable ones, because:

- Colorado Choice has not previously sold these products, and
- The changes caused by the Affordable Care Act make all of Colorado Choice's other existing products not comparable to its proposed 2014 individual products.

Colorado Choice's experience with small group products has been provided below. This experience is not relevant (due to the reasons listed above) for future products. We emphasize that this experience was not and should not have been relied upon to develop the rates in this filing, and we do not believe this experience is relevant to Regulation 4-2-11, Section 6N):

Non-Grandfathered Small Group Market Experience			
	2010	**2011**	**2012**
Life-Years	41	762	1,532
Medical Claims	$44,743	$1,926,501	$3,979,809
Rx Claims	$9,278	$286,422	$654,426
Total Claims	$54,021	$2,212,923	$4,634,234
PMPM Claims	$110.93	$241.88	$252.02

Section K of the memorandum contains extensive detail describing how the rates were developed. We did not rely on this experience in the development of future rates. We would be happy to schedule a phone conversation to discuss our methodology should the Division have specific questions that are not directly addressed in Section K.

Colorado Choice – Small Group Market Rate Filing
SERFF Tracking Number: MLCO-129028795
Response to Objection Letter Dated 06/14/2013

Objection 1:

Please provide a calculation summary that includes the starting index rate along with all of the components and factors used to reach the final index rate. Be sure to include all adjustments. Please upload an excel and pdf version of this summary.

Response:

In the instructions for the URRT issued on April 29, 2013, the Index Rate is described as follows:

> *"As noted in Section I, the index rate represents the average allowed claims PMPM for essential health benefits. This legal entity-specific rate for the projection period should not reflect any adjustments for payments and charges under the risk adjustment and reinsurance programs or for Exchange user fees. It is simply projected allowed claims PMPM for essential health benefits."*

Based on this guidance, we set the Index Rate in the URRT to the Allowed Claims PMPM before reinsurance and risk adjustment. Note that the Index Rate provided in the URRT is not explicitly used in developing premiums. Factors for allowable rating characteristics including plan factors, age factors, area factors, and smoking factors were applied to a base rate of $276.12 to develop rates. To arrive at this, the total Projected Allowed Claims were converted to projected incurred claims by applying the average paid-to-allowed factor. Non-claims expenses were then applied to arrive at the average carrier premium. A plan factor for each projected member cohort was developed using a product of the ACA allowable rating characteristics. Note that this number is slightly different than the product of the average of each separate allowable rating characteristic. The average premium of $353.49 was divided by the membership weighted average total rating factor of 1.280 to arrive at a base rate of $276.12 from which all premiums were determined.

Quantitative Support	
Projected Allowed Claims Experience	$403.13
Times: Average Paid-to-Allowed Factor	0.662
Equals: Projected Incurred Claims	$261.59
Plus: Administrative Expenses	$69.55
Plus: Risk Adjuster Paid (Received)	$6.50
Plus: Federal Reinsurance Paid (Received)	$5.25
Plus: Target Profit	$10.60
Equals: Average Premium	$353.49
Average Area Factor:	1.023
Average Age Factor	1.333
Average Tobacco Factor	1.009
Average Plan Factor	0.929
Membership Weighted Average of Total Rating Factor	1.280
Average Premium	$353.49
Divided By: Weighted Average of Total Rating Factor	1.280
Equals: Base Rate Used in Pricing	$276.12

Colorado Choice – Small Group Market Rate Filing
SERFF Tracking Number: MLCO-129028795
Response to Objection Letter Dated 07/10/2013

Objection 1:

Refer to the attached Retention Exhibit.

Please verify items in the illustrated consumer retention exhibit for the SG and Individual filings. Note any items that you believe should be adjusted or differ in rounding.

Response:

We have reviewed the exhibit and have confirmed each component listed in both the individual and small group rate exhibits. We have also confirmed the Colorado Conventional Loss Ratio calculated.

The Federal MLR Regulations list the Loss Ratio calculation as follows:

$$MLR = \frac{Incurred\ claims + QI\ expense - Risk\ adjuster - Reinsurance}{Premium - Taxes\ \&\ fees}$$

We used this formula to calculate a Federal Loss Ratio of 80.2% for the individual market:

$$80.2\% = \frac{\$308.87\ claims + \$6.18\ QI\ expense - \$38.86\ risk\ adjuster - \$32.75\ reinsurance}{\$308.07\ premium - \$4.36\ taxes\ \&\ fees}$$

We also used this formula to calculate a Federal Loss Ratio of 79.0% for the small group market:

$$79.0\% = \frac{\$261.58\ claims + \$5.23\ QI\ expense + \$6.50\ risk\ adjuster + \$5.25\ reinsurance}{\$338.49\ premium - \$0.69\ taxes\ \&\ fees}$$

We noted that these are roughly 0.4% higher than the Federal Loss Ratios of 79.86% for the individual market and 78.64% for the small group market calculated in the Retention Exhibit you provided. We think this is because your approach is using a different formula, primarily in the way in which incurred claims are determined, and the final ratio is calculated.

We believe that our formula is a more accurate application of the formula provided to determine loss ratios for the Federal MLR standard.